14

Transcript Exhibit(s)

Docket #(s): W-03994A-07-0657

Exhibit # : A1-A7, S1-S3

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NCRA MEMBER Guardians of the Record

Marta T. Hetzer
Administrator/Owner

Suite 502
2200 North Central Avenue
Phoenix, AZ 85004-1481
MAIN (602) 274-9944
FAX (602) 277-4264

To: Docket Control

Date: July 2, 2009

Re: Wickenburg Ranch Water W-03994A-07-0657
Volumes I and II Concluded
June 15 and 29, 2009

STATUS OF ORIGINAL EXHIBITS

FILED WITH DOCKET CONTROL

STAFF (S Exhibits)

1 through 3

WICKENBURG RANCH WATER (A Exhibits)

1 through 7

Copy to:

Sarah N. Harpring, ALJ
Staff (Kevin Torrey, Esq.)
Wickenburg Ranch Water (Steve Wene, Esq.)

Growing Better Up
Heads
LANDSCAPE CONTRACTORS

EXHIBIT
A-1
ADMITTED

PROPOSAL

6/5/2009

Wickenburg Ranch Water Company
William I. Brownlee, Manager, the M3 Companies
4350 E. Camelback Road
Suite E260
Phoenix, Arizona 85018

Re: On Lot Cisterns (rainwater catchment)

Dear William:

SCOPE OF WORK

Heads Up will provide cisterns per our plan dated 4-2-07 at the above referenced project as follows, to include:

- 1 pump – Tsurumi TS215V per house.
- Provide and place all electrical work associated with cistern. Mounted outside.
- All backfill at cistern to be water tamped to prevent settling.
- Pump to be place in protective boxes model # 1730-18. Place on concrete.
- Provide and place 9" square grates with catch basin at each down spout.
- Provide and place 1 – 100 Micron spin filter.
- Provide and place 1 – RMI 600 gallon below ground approximately 10" with manhole for accessibility.
- Down spouts to receive 2"-4" cobble to a depth of 4" and approximately 4' x 5'.
- Provide and place pvc liner at all down spouts.
- Provide and place S & D 4" drain pipe.
- Provide and place 4" Wye line filter.
- Provide and place pump start relay.
- Provide and place electrical float switch.
- Provide and place 6" sand base under cistern.

Note: System designed for 10 GPM at 40 PSI static.

CONTRACT PRICE

$6,000.00 plus tax (Per cistern). (This price is for a local company to do the install).

Note: This price assumes we can spread dirt across yard. This does not include hauling off dirt or dump fees from removals.

Note: This price does not include make up water to auto fill tank from potable water system.

In addition to design/build, Heads Up also offers Grounds Management services in order to more completely serve our clients. We offer those design/build customers an extended warranty of an additional year beyond our one year construction warranty when they contract with us for a yearly maintenance contract. Heads Up feels strongly that by maintaining the landscape we have installed, it insures you the customer long term quality in your landscape.

PAYMENT TERMS

Progress billings on the 25th, net due the following 10th.

TERMS AND CONDITIONS

This quotation is firm for 30 days and change in plans or scope may result in a change in price. Prices are subject to change.

TIME AND MATERIAL

$85.00 per hour for Equipment and Operator
$33.00 per man-hour for Labor

EXCLUSIONS

Tax, bond, responsibility for tire marks on asphalt or concrete, responsibility for drainage or damage to unmarked utilities, grading, other removals, maintenance, and access to area.

GRADES

Grades assumed to be plus or minus .10 feet to subgrade at commencement unless otherwise noted in this proposal.

Additional grading required to bring grades to tolerances noted above will be charged as an extra cost at the rate of $85.00 per hour for equipment and operator and $33.00 per man-hour for labor.

MOBILIZATION

One move-on for irrigation sleeving and one move-on for balance of work quoted. Additional move-ons will be charged at *$1,250.00 each.*

GUARANTEES

All work will be done in a workmanlike manner and premises left broom clean.

Heads Up shall repair or replace any part of the construction work performed by Heads Up, including the irrigation system, in which a defect in material or workmanship appears within one year from the date of final invoice and which, within such one-year period, is brought to the attention of Heads Up.

Guarantee is contingent upon proper maintenance by Owner. Heads Up will provide recommended maintenance procedures.

Under no circumstances will Heads Up be liable for any consequential or incidental damages resulting from any defect in materials or workmanship or from the performance or non-performance of the work proposed herein.

COMPLETION DATE

Estimated time required to complete job is approximately 3 working days per cistern.

If the Parties are unable to resolve any dispute within fifteen (15) calendar days of the occurrence of the event or circumstances giving rise to the dispute, the dispute may be submitted to mediation upon the mutual agreement of the Parties. In the event the Parties do not agree to mediate the dispute or are unable to resolve the dispute through mediation, then the dispute shall be resolved by binding arbitration. Such arbitration shall be governed by the New Mexico Uniform Arbitration Act, NMSA 1978 § 44-7A-1, et seq. as amended. A Party submitting a dispute to arbitration shall give the other Party a timely Demand for Arbitration and such Demand for Arbitration shall describe the nature of the dispute and the amount in controversy. The Parties shall then jointly select an Arbitrator and, failing such mutual agreement, the Arbitrator shall be appointed by a District Court Judge from Bernalillo County New Mexico. The arbitration shall be held in Albuquerque, New Mexico. Discovery shall be by agreement of the Parties or as ordered by the Arbitrator, provided that the Parties shall comply with the following minimum discovery requirements: at least twenty (20) calendar days prior to the arbitration, the Parties shall exchange an exhibit list, copies of all exhibits to be used at the arbitration, a list of witnesses and a summary of the matters as to which each witness is expected to testify. The Parties shall split all costs and fees of the mediator and Arbitrator. The Parties shall each be responsible for their own costs, expert fees and attorney fees in any mediation or arbitration, except that the Arbitrator may award costs and attorney fees to a successful lien claimant in his or her discretion pursuant to NMSA 1978 Section 48-2-14 as amended. This agreement to arbitrate shall be specifically enforceable under the prevailing arbitration law of the State of New Mexico.

The costs of any additional overtime wages, week-end work, work out of sequence, or other expenses incurred due to failure of the Owner/General Contractor to properly schedule Heads Up within above time frame will be reimbursed to Heads Up by the Owner/General Contractor.

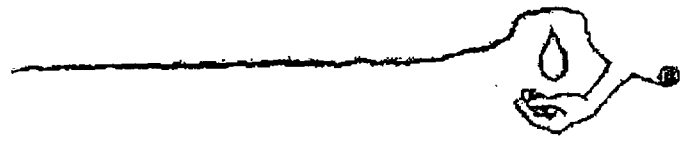
Notice: Neither the Contractor's License Bond or the license issued under 60-13-19 of the Construction Industries Licensing Act protects the consumer if the contractor defaults on this contract.

SIGNATURE

Submitted by: _____ Date: _____

Eddie Padilla
Heads Up Landscape Contractors Inc.
P.O. Box 10597
Albuquerque, New Mexico 87174-0597
Telephone: 505-898-9615
Fax: 505-898-2105

Approved By: _____ Date: _____



High Desert Rain Catchment, LLC
PO Box 13008
Prescott, Arizona 86304
(928) 308-5992 Email: highdesertrain@gmail.com

EXHIBIT
A-2
ADMITTED

Attention: Marvin Glotfelty

Ph- (480) 659 - 7131
Fax- (480) 659 – 7143

Here are some Ball Park numbers for you- The cost on these numbers can range greatly due to site conditions & tank size. In the design of any system we start out this a water budget to size the system for the home.

High Desert Rain Catchment- Specializes In Rainwater Harvesting & Greywater Systems. Through the use of these systems it is possible to create a lush oasis landscape in the desert without the need for supplemental water from municipal or well water sources.

High Desert Rain Catchment- Our Average Installed Price per Gallon is $2.25 / gallon of storage capacity for a simple feed gravity system. This is adequate for most home gardens.

The next step up from a simple gravity feed system would be a Rainwater Harvesting system inter-tied to the irrigation system. Approximate cost is $2.40 / gallon of storage capacity. This allows a homeowner to use all the existing irrigation controllers and systems & integrates a rainwater system in a way the homeowner has to do nothing but set the irrigation controls as normal.

Every drop counts so we don't discourage capturing rainwater no matter how small the amount is. However the average system size for residential irrigation use is about 2,600. The approximate payback time on such a system is 7 to 10 years (depending on water cost and landscape needs).

2,600 gallon Gravity Feed System	$5,850
2,600 gallon Irrigation Inter-tie Rain Harvesting System	$6,240

Calculating Roof water Runoff

(Roof Surface Area) x Rainfall (ft.) x 7.48 gallons^{3ft} x .85 = Total net Runoff

ARIZONA DEPARTMENT OF WATER RESOURCES

Office of Assured and Adequate Water Supply

3550 North Central Ave., 2nd Floor, Phoenix, Arizona 85012
Telephone 602 771-8585
Fax 602 771-8689

Janet Napolitano
Governor

Herbert R. Guenther
Director

February 11, 2008

CDC Wickenburg Water, LLC
Jason Rowley, Esq.
1550 E. Missouri Ave. Ste. 300
Phoenix, AZ 85014

Re: Designation of Adequate Water Supply (DWR No. 40-700417.0000) CDC Wickenburg Water, LLC

Dear Mr. Rowley:

I am pleased to inform you that the Department of Water Resources has approved the application for a Designation of Adequate Water Supply for CDC Wickenburg Water. We have enclosed the formal Decision and Order. The Decision and Order includes an itemization of CDC Wickenburg Water's responsibilities in maintaining the Designation.

CDC Wickenburg Water's status as a designated water provider demonstrates that CDC Wickenburg Water is taking a long-term perspective in managing water resources. CDC Wickenburg Water's commitment to long term planning represents a major contribution to the State's water management goal.

If you have any questions regarding these documents, please contact me at (602) 771-8585.

Sincerely,

John Schneeman, Manager
Office of Assured & Adequate Water Supply

JS/rbo

cc: Mr. Roy Tanney, Arizona Department of Real Estate
Steve Corell, Clear Creek Associates

DEPARTMENT OF WATER RESOURCES

BEFORE THE DIRECTOR

IN THE MATTER OF THE APPLICATION OF CDC WICKENBURG WATER, LLC FOR A DESIGNATION AS HAVING AN ADEQUATE WATER SUPPLY	**AWS No. 2007-009** **DECISION AND ORDER** **No. 40-700417.0000**

I. INTRODUCTION

On September 25, 2007, the Department of Water Resources (Department) received an application from CDC Wickenburg Water, LLC (CDC Water) requesting that the Department designate CDC Water as having an adequate water supply pursuant to A.R.S. § 45-108 and A.A.C. R12-15-714.

After receiving CDC Water's application for a designation of adequate water supply, the Department reviewed relevant information regarding the designation request, including: 1) the hydrologic information on file with the Department for the proposed source of groundwater supply; and 2) information regarding CDC Water's financial capability to construct the necessary delivery system, treatment works and storage facilities. Based on that information, the Department makes the following Findings of Fact, Conclusions of Law, and Order of Designation and Conditions of Designation:

II. FINDINGS OF FACT

A. General

1. CDC Water is a private water company, subject to the jurisdiction of the Arizona Corporation Commission (ACC).
2. CDC Water provides water service within the territorial boundaries of its certificate of convenience and necessity (CC&N), as approved by the ACC.
3. CDC Water currently serves water through its distribution system to its customers.

B. Water Demands

4. CDC Water's current demand as of calendar year 2006 is 278.44 acre-feet per year (current demand).

5. CDC Water's committed demand as of calendar year 2006 is 0.00 acre-feet per year (committed demand).

6. CDC Water's projected demand in 2013, the sixth calendar year from the date of application, is 945.54 acre-feet (2013 *projected demand*). The 2013 projected demand does not include the current demand or the committed demand, but does include the annual demand at build-out of plats reasonably projected to be approved and customers reasonably projected to be added through calendar year 2013.

7. CDC Water's annual estimated water demand in 2013, which is the sum of its current demand, committed demand, and 2013 projected demand, is 1224.00 acre-feet per year.

C. Groundwater: Physical, Continuous and Legal Availability

8. CDC Water has the right to withdraw and deliver groundwater to its customers pursuant to A.R.S. § 45-453.

9. Historic hydrologic information demonstrates that depth-to-static water levels within the CDC Water service area currently average 425 feet below land surface.

10. CDC Water has demonstrated that after withdrawing 1224.00 acre-feet per year of groundwater for 100 years, the depth-to-static water level within CDC Water's service area is not expected to exceed 1200 feet below land surface.

11. CDC Water has demonstrated that it has wells of sufficient capacity to satisfy its annual estimated groundwater demand of 1224.00 acre-feet per year for at least 100 years.

D. Water Quality

12. CDC Water will be regulated by the Arizona Department of Environmental Quality as a public water system pursuant to A.R.S. §§ 49-351, et seq.

E. Financial Capability

13. On June 29, 2007, a "Water Facilities Extension Agreement" (Agreement) was executed between CDC Water and JVT Investors, LLC, an Arizona limited liability company (JVT). The Agreement states that JVT shall fund construction of water system improvements including: distribution lines, wells, storage tanks, and booster stations to support water service by CDC Water in the existing CC&N. Upon completion of construction, said improvements shall become the sole property of CDC Water.

14. CDC Water has demonstrated capability for financing the construction of adequate delivery, storage, production and treatment works through the Agreement.

III. CONCLUSIONS OF LAW

Having reviewed the Findings of Fact, the Department makes the following Conclusions of Law:

1. CDC Water has demonstrated that 1224.00 acre-feet per year of groundwater will be physically available, continuously available and legally available for at least 100 years, which is sufficient to meet its annual estimated water demand in 2013, of 1224.00 acre-feet per year. See A.A.C. R12-15-716, R12-15-717 and R12-15-718.

2. The water supply served by CDC Water will be of adequate quality pursuant to A.A.C. R12-15-719.

3. CDC Water has satisfied the financial capability criteria prescribed in A.A.C. R12-15-720.

4. CDC Water has satisfied *all the requirements for a* designation of an adequate water supply.

IV. ORDER OF DESIGNATION AND CONDITIONS OF DESIGNATION

Having reviewed the Findings of Fact and Conclusions of Law, the Director hereby issues this Decision and Order designating CDC Water as having an adequate water supply, subject to the following conditions:

1. The Director reserves the right under A.A.C. R12-15-715(C) to periodically review and modify the designation for good cause as conditions warrant.

2. Pursuant to A.A.C. R12-15-715, the Director may revoke this designation at any time if the findings of fact or the conclusions of law upon which the designation is based change or are invalid, or if an adequate water supply no longer exists.

3. The Director's determination that an adequate water supply exists for CDC Water is based on its review of the water supply pledged by CDC Water.

4. CDC Water shall submit an application to modify this decision and order designating CDC Water as having an adequate water supply to increase the term of the designation when the sum of CDC Water's current demand, committed demand and two-year projected demand exceeds 1224.00 acre-feet, or by January 1, 2012, whichever is earlier.

5. Pursuant to A.A.C. R12-15-719, CDC Water shall satisfy any state water quality requirements established for its proposed use after the date of this designation.

6. CDC Water shall annually provide to the Department the following information in the manner prescribed in A.A.C. R12-15-715:

   a. The projected demand at build-out for customers with which CDC Water has entered into a notice of intent to serve agreement in the calendar year.

   b. An estimate of the demand of platted, undeveloped lots located in CDC Water's service area.

   c. A report regarding CDC Water's compliance with water quality requirements.

   d. The depth-to-static water level of all wells from which CDC Water withdrew water during the calendar year.

   e. The total quantity of water from any source, withdrawn, diverted, or received by CDC Water for its customers' residential and non-residential use during the previous calendar year.

f. Any other information requested by the Director to determine whether CDC Water is continuing to meet all the requirements necessary to maintain this designation of adequate water supply.

IT IS HEREBY ORDERED THAT CDC WICKENBURG WATER, LLC BE DESIGNATED AS HAVING AN ADEQUATE WATER SUPPLY UNTIL DECEMBER 31, 2013.

DATED this 11th day of FEBRUARY, 2008.

for

Herbert R. Guenther
Director
Arizona Department of Water Resources

A copy of the foregoing **Decision and Order** mailed by certified mail this 11th day of February, 2008, to the following:

Certified Mail No. 7006 2760 0002 4885 0230

Sent by: R. Obenshain
Rick Obenshain

CDC Wickenburg Water, LLC
c/o Jason C. Rowley, Esq.
1550 E. Missouri, Suite 300
Phoenix, AZ 85014

First class mail copies to:

Mr. Roy Tanney
Director of Real Estate Subdivisions
Arizona Department of Real Estate
2910 N. 44th Street
Phoenix, Arizona 85018

Steven W. Corell
Clear Creek Associates
6155 E. Indian School Rd.
Suite 200
Scottsdale, Arizona 85251

A-4

m3companies

4222 E Camelback Road
Suite H100
Phoenix AZ. 85018
Phone 602.386.1325
Fax 866.840.1245

EXHIBIT
A-4
ADMITTED

M3 Memorandum

To: Bill Brownlee

From: Tom Warley

Date: May 13, 2009

Re: Summary of Teleconference with Isaac Pino Regarding Rain Catchments

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On Monday, May 11 I had a telephone conversation with Ike Pino, SunCor's Santa Fe, NM General Manager, regarding the installation, operation and maintenance of residential rain catchments.

In regards to the installation of rain catchment systems, the costs are extremely high, averaging approximately $6000 per unit. That cost includes the cistern, submersible pump and electronics to operate the system. Amortizing that cost in a 30-year loan at 5.5% interest would cost the homeowner $31,124.33. Not included in the $6000 per unit cost are the drainage modifications to the house itself. There are two methods to collect the storm water runoff from the roof. The first method is to tilt the roof in one direction so the water ponds in a central location, then drains into down spouts connected to the cistern. Structural modifications to the roof are required due to the additional load imposed by the ponding water because the water must be held on the roof to allow it time to drain into the cistern instead of running off the roof immediately. The second method is to connect every down spout from the roof to an underground piping system that runs to the cistern. Piping the down spouts from the front of the house to the rear where the cistern is located can create grading problems or excessively deep pipes. The deep pipes are the result of having to insure there is adequate fall from the front of the house to the rear to drain the pipes so water does not stagnate in the pipes.

Operationally, the rain catchment systems are extremely inefficient. In dry climates like Wickenburg, they are only full when it is raining, which is not a regular occurrence. As a result, after the first watering, the cistern is empty until the next rain storm; therefore a supplemental irrigation system is required to water lawns and plant material between rain storms. Also, rain catchments are not large enough to store huge volumes of water. Residential cisterns are sized to hold between 500 to 2500 gallons. Typically, they will hold enough water for one irrigation cycle. As a result, during monsoon season when there are more frequent storms and the irrigation system is shut off, home owners will not capture the excess rain water. It will simply run to its natural discharge point. In Ike's experience, most residents will use a hose to fill their cistern between storms so their yard is irrigated. More water conservation is achieved by installing an

m3companies

4222 E Camelback Road
Suite H100
Phoenix AZ. 85018
Phone 602.386.1325
Fax 866.849.1245

irrigation system with moisture monitoring capabilities that automatically turns off the irrigation system during rain events then by attempting to capture water with a catchment system.

There are maintenance problems associated with rain catchment systems also. First, the submersible pumps are made to operate in a wet environment. Given the infrequency of rain storms, the pump seals typically dry out and must be replaced on a regular basis. If the pump is operated with cracked, dried out seals, they will fail and must be replaced. Also from SunCor's experience, when roof systems are modified to hold water as outlined in the first paragraph, they inevitably leak. Leaking roofs in turn cause mold and the mold will lead to lawsuits.

Based on the issues outlined above, SunCor has discontinued the installation of rain catchment systems.

4-5

YAVAPAI COUNTY
DEVELOPMENT SERVICES DEPARTMENT
500 S. Marina Street; Prescott, AZ. 86303 Phone: (928) 771-3214 Fax (928) 771-3432
10 S. 6th Street; Cottonwood, AZ. 86326 Phone: (928) 639-8151 Fax (928) 639-8153
Addressing – Building Safety – Customer Service & Permitting – Environmental – Flood Control – Land Use – Planning & Design Review

January 3, 2006

EXHIBIT
A-5
ADMITTED

M3 Companies
Gerald Robbins
4350 E Camelback, E260
Phoenix, AZ 85018

RE: Zoning Map Change APN: 201-02-100B,149E & 156; 201-07-002 & 003C and 201-06-001H; HA# H5214

I am writing this letter to inform you of the outcome of the Board of Supervisors meeting regarding the following hearing application.

BOARD HEARING AGENDA ITEM

Zoning Map Change APN: *201-02-100B,149E & 156; 201-07-002 & 003C and 201-06-001H; HA# H5214*

Applicant: **AR Wickenburg LLC**
Agent: **Bill Brownlee**
Project: **Wickenburg Ranch Estates Master Planned Community**
Request: Consideration of a zoning map change for approximately 2,160 acres from: R1L-2A [690 acres] (Residential; Single Family Limited; 2 acre minimum parcel) and R1L-5A [1,276 acres] (Residential; Single Family Limited; 5 acre minimum parcel) and R1L-175 [110 acres] (Residential; Single Family Limited; 175,000 sq. ft. minimum parcel) and R2-2 [45 acres] (Residential; Multi-Family; 2 acre minimum parcel) and C2-2 [39 acres] (Commercial General Sales and Services) zoning districts to - PAD (Planned Area Development) in order to allow: 2,324 residences, (1,200 of those will be multi-family residences); an 18 hole golf course with a golf clubhouse; a community center with a community store, fitness center & restaurant; an equestrian facility allowing horse boarding for up to 200 horses and public equestrian events; a dude ranch with a 180 unit resort hotel, a public facilities site and an RV/large vehicle storage site for up to 200 vehicles. Located on the north east corner of the SR89/93 intersection, approximately 4 miles northwest of the Town of Wickenburg.
S7, 8, 17 & 18 T8N R5W G&SRB&M

P&Z RECOMMENDATION: On December 7, 2005, the Planning and Zoning Commission recommended approval of the Zoning Map Change, HA# H5214, with the following stipulations:

1. *Development to be in accordance with the applicant's 19 page Letter of Intent and attached exhibits dated November 10, 2005, unless stipulated to the contrary. The PAD zoning shall be vested upon commencement of development of the first phase of the project.*

2. *Overall housing density for the project shall not to exceed 2,324 dwelling units with the flexibility to transfer units between parcels, as described in the applicant's Letter of Intent. A maximum of 1,200 multi-family units shall be allowed.*
3. *The aggregate total of the acreage contained within all final plats shall comprise of a minimum of 25% open space at all times, however, each individual final plat may not contain 25% open space.*
4. *Waiver of Road Standards shall be as referenced in applicant's Letter of Intent. Prior to or concurrent with recordation of the final plat for the first phase of the development, Developer shall dedicate a public trail for hiking, equestrian and other non-motorized travel through or adjacent to the Martinez Wash*
5. *Waiver of County Hillside Development Standards for the project, shall be approved, subject to financial assurances being posted for re-vegetating hill side slopes disturbed by the developer. Hillside slopes disturbed by the developer or individual lot owners shall be re-vegetated within 90 days of completion of construction of the phase within which the graded slopes are located.*
6. *Regarding the proposed Public Facilities Site, the developer shall provide in the HOA covenants, conditions and restrictions, the obligation on the part of the HOA to dedicate a maximum of seven (7) gross acres of land (Parcel V) to Yavapai County, with deed restrictions restricting the parcel for the public uses mentioned in the applicant's Letter of Intent, as part of the first phase of development. The public facilities site and development thereon shall be subject to the Wickenburg Ranch Estates CC&Rs and Architectural Design Guidelines.*
7. *Development shall be in accordance with the applicant's Water Balance Report Summary, not to exceed 68 acres of irrigated turf, 49 acres of drip irrigation, 8 acres of lakes and not to exceed 450 ac. ft. of water used per year for turf, drip and lakes. Developer shall have the right to supplement the irrigation needs for the golf course until such time as the effluent generation of the project meets the irrigation demand.*
8. *Developer shall submit an annual ground water/reuse water consumption report for staff review. If and when the development generates excess effluent, above and beyond 450 ac. ft. per year, a plan for dealing with the excess effluent needs to be submitted for Board approval.*
9. *The golf course shall have at-grade crossings for golf carts across the internal road network. Such crossings shall provide for site visibility of no less than 200 feet in each direction.*
10. *In the event that all or a portion of the Equestrian Center (Parcel D) is developed for residential uses, the units will be single family attached homes at a maximum density of 6 dwelling units/acre and the total number of dwelling units within the property, including the development of Parcel D, shall not exceed the approved density of 2,324.*
11. *The Developer shall work with the School District to either 1) contribute to the school district money in an amount to fund WRE proportionate share (600/the number of students planned in the new school) to the acquisition of a 10 to 15-acre K-8 school site at a nearby location or 2) locate a school site on the Wickenburg Ranch property, subject to the approval of the Wickenburg School District and gift the site to the School District. In the event that the school site is located on the Wickenburg Ranch property, the developer shall submit an amendment to the Master Site Plan for County approval.*

The vote was 7 to 2 with Chairman Garner and Commissioners Kerkman, Bitner, Barnert, Stewart, Jackson and Province voting in favor of the motion and Commissioners McClelland and Lindner voting in opposition to the motion due to their concerns regarding water and density.

BOS ACTION: On January 3, 2006 the Board of Supervisors voted to approve the Zoning Map Change, HA# H5214, as recommended by the Planning and Zoning Commission. The vote was 2 to 1 with Supervisors Thurman and Springer voting in favor of the motion to approve and Supervisor Davis voting in opposition to the motion.

I would encourage you to call Kathleen Houchin at 928-771-3214 to set up a Pre Code Review meeting when you are ready to begin any construction aspect of your project.

The purpose of this meeting is to allow you the opportunity to meet with the technical agencies to finalize your construction plans and expedite the issuance of your Building Permit.

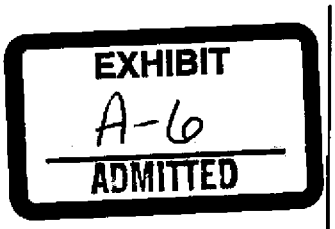
Please do not hesitate to call me at 928-442-5391, if you have any questions regarding this information.

Sincerely,

Elise Link

Elise Link
Planning Division Manager
Development Services Department

cc: AR Ventures, LLC
M3 Companies



Steve Wene, No. 019630
MOYES SELLERS & SIMS LTD.
1850 N. Central Ave. Ste. 1100
Phoenix, AZ 85004
(602) 604-2141
Attorneys for Wickenburg Ranch Water, LLC

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES, CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, FOR A RATE ADJUSTMENT	Docket No. W-03994A-07-0657 **NOTICE OF FILING OF DIRECT TESTIMONY AND POTENTIAL EXHIBITS TO BE USED ON REHEARING**

Wickenburg Ranch Water, LLC ("Company"), hereby gives notice that it is filing the direct testimony of the following witnesses:

- Marvin Glotfelty (Attachment1);
- Peter Chan (Attachment 2);
- William I. Brownlee (Attachment 3);
- Wendell Pickett (Attachment 4); and
- Joey Platts (Attachment 5).

The direct testimony of each of these witnesses is being submitted with this notice.

The Company reserves the rights to rely on any testimony or evidence offered during the original proceedings in this matter, copies of which are on file. Additional evidence that the Company may rely upon on rehearing are included as exhibits to witness testimony included herein.

DATED May 6, 2009.

MOYES SELLERS & SIMS, LTD.

Steve Wene
Attorneys for Wickenburg Ranch Water

Original and **thirteen** copies
filed May 6, 2009 with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

ATTACHMENT 1

Steve Wene, No. 019630
MOYES SELLERS & SIMS LTD.
1850 N. Central Ave. Ste. 1100
Phoenix, AZ 85004
(602) 604-2141
Attorneys for Wickenburg Ranch Water, LLC

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES, CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, FOR A RATE ADJUSTMENT	Docket No. W-03994A-07-0657 **DIRECT TESTIMONY OF MARVIN GLOTFELTY**

Q-1 Please state your name and current employment position:

A-1 Marvin Glotfelty, Principal Hydrogeologist with Clear Creek Associates in Scottsdale, Arizona.

Q-2 Describe your educational and professional background:

A-2 I received a BS degree and MS degree in geology from Northern Arizona University. I am a registered Professional Geologist in both Arizona and

California, and also a Licensed Well Driller in Arizona. I have been practicing hydrogeological consulting in Arizona for about the past 25 years.

Q-3 What is the purpose of your testimony?

A-3 The purpose of my testimony is to explain the following: (1) discuss certain provisions of the Arizona Department of Water Resources' adequate water supply program and how it relates to the Wickenburg Ranch; (2) explain that there is sufficient water to meet water demands of Wickenburg Ranch; (3) identify the historic and current rainfall patterns at Wickenburg Ranch; (4) explain the impact rainwater catchments will have on downstream water uses; and (5) discuss the applicability and reasons for Arizona Department of Water Resources' Best Management Practices.

Q-4 Describe your experience with the Wickenburg Ranch project.

A-4 Clear Creek Associates has performed the following tasks: Evaluated the aquifer by conducting pumping tests at on-site wells, prepared Analysis of Adequate Water Supply Application, and prepared the Designation of Adequate Water Supply application.

Q-5 Is there sufficient groundwater available to meet all of the Wickenburg Ranch Water Company's demand?

A-5 Yes.

Q-6 Explain what it means when a water company is a designated water provider.

A-6 Being a designated water provider means that ADWR has determined that the Wickenburg Ranch Water Company ("Water Company") has demonstrated that

groundwater of adequate quantity and quality is physically, legally, and continuously available to meet projected water demands for 100 years. Water quality will be regulated by ADEQ as a public water system and the water company has also demonstrated the financial capability for the construction of adequate delivery, storage, production, and treatment.

Q-7 What is the average amount of rainfall in the Wickenburg Ranch area?

A-7 The average amount of rainfall is 11.07 inches per year. Due to this limited amount of rainfall on each lot, installing rainwater catchment systems is not cost effective for individual homeowners.

Q-8 How much rainfall do you estimate that all of the rainwater catchments would capture during an average year?

A-8 Assuming 6,519,255 square feet of rooftops and that the catchments collected just stormwater off rooftops, at full build-out, the catchments would capture 138 acre-feet per year. This estimate may change if the assumptions about the project development, catchment area, and capacity of the catchment systems are not realized, but it is a reasonable estimate based upon current information.

Q-9 What would be the impact if this rainwater is captured and retained on the project?

A-9 The critical impact would be downstream. If left alone, most of the rainfall would run off the Wickenburg Ranch lots, flow across open spaces and be channeled into downstream riparian washes where it would be consumed by vegetation, wildlife, or pond in the wetlands downstream of the Town of Wickenburg. If you take this

water out of the system, the riparian habitat and wildlife that depends on the water will suffer adversely. This adverse impact would be most pronounced during drought conditions, when the riparian plant and animal life and wetlands need this stormwater the most. Similarly, downstream water right holders would be adversely impacted under the prior appropriation system.

Q-10 Under the current applicable rules, are the best management practices applicable to the Wickenburg Ranch development?

A-10 No. The best management practices by rule are limited geographically to inside Active Management Areas, and Wickenburg Ranch is located outside the Active Management Areas. See Exhibit A (incorporated herein and may be used as evidence).

Q-11 Based on your experience, do you believe rainwater catchments, xeriscaping and best management practices are necessary for the water company to provide safe and reliable potable water service?

A-11 No. The Water Company has established that there is sufficient groundwater available to meet the potable water demands at Wickenburg Ranch.

Q-12 Does that conclude your testimony?

A-12 Yes.

EXHIBIT A

ARIZONA DEPARTMENT OF WATER RESOURCES

Modified Non-Per Capita Conservation Program (Modified NPCCP)

Frequently Asked Questions (FAQs)

What is the Modified NPCCP?

The Modified NPCCP is a new regulatory program added to the Third Management Plan (TMP) for Arizona's Active Management Areas (AMAs). It is a performance-based program that requires participating providers to implement water conservation measures that result in water use efficiency in their services areas. Providers must implement a Public Education Program and one or more additional Best Management Practices (BMPs) based on their total number of residential and non-residential water service connections.

- Up to 5000 connections - 1 BMP
- 5001 – 30,000 connections - 5 BMPs
- 30,001 or more connections - 10 BMPs

Who Participates in the Modified NPCCP?

Required: All large municipal providers (cities, towns and private water companies serving more than 250 acre-feet per year) that do not have a Designation of Assured Water Supply (DAWS) and that are not regulated as a large untreated water provider or an institutional provider are required to participate.

Optional: Participation is optional for large providers that have a DAWS. During the TMP, these providers have the following options:

1. If currently in GPCD Program, they may continue in that program or switch to the Modified NPCCP or Alternative Conservation Program (ACP).
2. If currently in the NPCCP, they may continue in that program or switch to the Modified NPCCP, GPCD, or the ACP.
3. If currently in the ACP they must remain in that program until the Fourth Management Plan.

After the adoption of the Fourth Management Plan, large providers with a DAWS will have only two options: the GPCD program or the Modified NPCCP.

What is Required to Participate in the Modified NPCCP?

- A Provider Profile must be submitted.
- The required Public Education Program must be implemented.
- The appropriate number of BMPs (based on number of connections) must be implemented.
- All connections (100%) must be metered.
- Providers must submit a Conservation Efforts Report along with their Annual Water Withdrawal and Use Report.
- Records must be retained records for five years.

What is the Provider Profile?

The Profile assists providers in an assessment of their water service areas for the purpose of choosing relevant BMPs with a high potential for improving water use efficiencies. It must be submitted to enter the program and will be reviewed by the department to see if the requirements have been met. The following information is requested on the Profile:

- Service area characteristics and water use patterns.
- The Public Education Program that will be implemented.

- The additional BMPs that will be implemented.
- A justification of how each BMP is relevant to the provider's service area characteristics and/or water use patterns.
- Whether the metering requirements are met.
- Conservation measures currently being implemented.
- The providers' current rate structure

Note: If a provider's total number of service connections increases to a higher tier level after the Profile has been approved, the provider must submit a new Profile within 60 days after the provider becomes aware of the increase. Otherwise, Profiles are to be submitted every three years.

What is the Timeline for Submitting Provider Profiles and Conservation Efforts Reports?

For Providers that are Required to Participate in the Modified NPCCP:

Provider Profiles must be submitted by July 1, 2009 and the program must be in place by January 1, 2010 or the date the Profile is approved, whichever is later. A new large provider without a DAWS that is noticed by the Department must submit a Profile within six months of the notice date, and must begin complying on the date the Profile is approved.

The Department will make a determination on the Profile within 90 days of submittal. If disapproved, a provider must correct and submit the revised Profile within 90 days after receiving the notice, or if the provider appealed the Department's decision, within 90 days after the decision is final. If the revised Profile is late or the revision is not approved, the provider is out of compliance until it submits a Profile that is approved. If the Department does not contact a provider within 90 days after the submittal date, the Profile will automatically be approved.

For Providers with a DAWS that Choose to Participate in the Modified NPCCP:

If a provider with a DAWS submits a Provider Profile, the provider will remain in its current program until the Profile is approved. The approval process is the same as that described in the preceding section, except that if a Profile is not approved, the provider may either submit a revised Profile or stay in its existing conservation program.

What is the Required Public Education Program?

The provider must complete the following requirements:

- Communicate to its customers a minimum of twice per year the importance of water conservation, the types of water conservation information they have available and how the information can be obtained.
- Provide customers with free written water conservation information upon request. The information must be available in the provider's office.

What are the Best Management Practices (BMPs)?

The BMPs are conservation measures that were identified during the stakeholder process and are included in the Second Modification to the Third Management Plan, 2008. There are 53 BMPs in the following seven categories:

1. Public Awareness/Public Relations
2. Conservation Education and Training
3. Outreach Services
4. Physical System Evaluation and Improvement

5. Ordinances/Conditions of Service/Tariffs
6. Rebates/Incentives
7. Research/Innovation Program

A complete listing of the BMPs can be found in either of the following documents:

- Modified NPCCP Guidance Document attachment: "Required Public Education Program and BMPs in the Modified NPCCP".
- Appendix of the May 2008 Modifications to Chapter 5, Municipal Conservation Program, Third Management Plan.

The Guidance Document will be posted on the Department website when available. For the Modifications, go to: www.azwater.gov, select "Laws, Rules, Subst. Policy" from the left menu, and select "Modification Language" from the AMA of choice; or go to: http://www.azwater.gov/dwr/Content/Find_by_Category/Laws_and_Rules/default.htm

How are the Best Management Practices (BMPs) Selected and Approved?

Providers must select their BMPs from the Modified NPCCP list. The BMPs selected must be reasonably relevant to their individual service area characteristics or water use patterns. The expectation is that BMPs should lead to increased water use efficiency. The basis for selection may vary from one provider to another. For a BMP to be relevant to a service area, one or more of the following indicators should apply:

- The BMP is applicable to the majority or a large portion of customers.
- The BMP is directed toward a provider's highest water users or water use categories.
- Customers in the service area are able to take advantage of the BMP.
- The BMP is implemented to improve a provider's existing water conservation effort.
- The BMP is implemented to reduce or eliminate excessive water use or water waste.

Credit for a BMP will be given if it:

- Is included on the Modified NPCCP list.
- Is relevant to its service area and/or water use patterns.
- Has led to or may lead to improved water use efficiencies in the provider's service area.
- Provides staff time and/or funds for its implementation.

Can BMPs be Substituted or Changed?

A BMP can be discontinued and a new one substituted any time during the year, however, the following conditions apply:

- The substitute BMP must be on the Modified NPCCP BMP list.
- The provider must determine that the substitute BMP is reasonably relevant to its existing service area characteristics or water use patterns as identified in its Profile.
- The provider must explain the reason for the substitution in its next Conservation Efforts Report.

A provider may apply to the Director to add a new or different BMP to the list. If approved, the list of BMPs will be modified and posted on the Department's web site and be on file at each AMA office.

What is the Conservation Efforts Report?

The Conservation Efforts Report is used to determine compliance with the Program and serves as a tool for the provider to review and plan for improvements. It includes the following components:

- A description of the Public Education Program and BMPs implemented during the previous calendar year.
- The results of the activities implemented.
- An assessment of the efforts made.
- Plans for the current year's conservation efforts.
- A copy of the provider's current rate structure, unless no changes have been made to the rate structure since it was last submitted to the Department.

The Conservation Efforts Report is submitted along with the provider's Annual Water Withdrawal and Use Report on or before March 31 and covers the activities for the previous calendar year. The Department will approve or disapprove a Conservation Efforts Report within 90 days after the deadline of March 31 or the receipt of the Annual Water Withdrawal and Use Report.

How will the Program be Evaluated?

The Department is committed to ongoing program improvement by assessing the success of specific BMPs and the overall effectiveness of the program. The Municipal BMP Advisory Committee will assist in program evaluation activities, and/or be assisted by an independent evaluator. GPCD will be tracked for each large provider and for each AMA. GPCD values will not be used as a compliance point. However, water use trends may be used to evaluate the effectiveness of some BMPs and will be used to evaluate the overall effectiveness of the Modified NPCCP.

Where Can I Get Assistance?

Department staff is available to help providers with their planning activities, reports, and BMP substitutions and to provide resources. Staff has prepared a Guidance Document that includes program requirements, instructions and suggestions for completing the documentation, BMP lists, and the forms which will be available on the Department's website. The Conservation Efforts Reports may be posted on the Department's website as a resource for providers and The Department's "Summary of Water Conservation Programs in AMA" will be updated on a regular basis based on information contained in the Conservation Efforts Reports.

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ARIZONA DEPARTMENT OF WATER RESOURCES

Required Public Education Program and BMPs in the Modified NPCCP

Adapted from

May 2008 Modifications to Chapter 5
Municipal Conservation Program Third Management Plan
Appendix 5 –N. Water Conservation Measures

I. Public Education Program

A large municipal provider regulated under the Modified Non-Per Capita Conservation Program (Modified NPCCP) shall implement a public education program that includes the following components:

- **Communicate at least twice a year**: At least twice a year, the provider shall communicate to customers the importance of water conservation and inform them of the water conservation information available from the provider and how toobtain the information. Communication channels shall include one or more of the following: water bill inserts, messages on water bills, provider web page, post cards, newsletters or print pieces. Providers who do not have websites or conservation information on their website are encouraged to develop websites with conservation information.
- **Provide free written information:** The provider shall provide customers with free written information on water conservation (i.e., pamphlets, brochures). The information shall be available in the provider's office and the provider shall send information to customers on request. The provider is encouraged to distribute water conservation information at other locations as well.

II. Additional Best Management Practices (BMPs)

Large municipal providers regulated under the Modified NPCCP must select from the following list of additional BMPs to comply with the program. The Director may modify the list to include additional BMPs pursuant to the procedure set forth at the end of this appendix. A copy of the most recent the list of additional BMPs shall be posted on the department's web site and shall be on file in the Active Management Area offices.

CATEGORY 1: PUBLIC AWARENESS/PUBLIC RELATIONS

Programs in this category are designed to provide water users information on the need for and importance of water conservation, as well as information on the conservation services available to them. The following programs qualify in this category:

(1.1) Local and/or Regional Messaging Program

The water provider actively participates in a water conservation campaign with local or regional advertising. The campaign must promote ways for citizens to save water. Methods to promote a campaign may include media such as television and radio commercials, web sites, and utilization of promotional materials such as brochures (Spanish and English), vehicle signs (busses, garbage trucks, etc.), bookmarks, magnets, etc.

(1.2) Special Events/Programs and Community Presentations

At educational or promotional events, water conservation information is displayed and made available and/or presentations are given. Events may include home and garden shows, art shows, community celebrations, environmental shows, etc. To receive full credit for this measure, a provider must attend and staff at least three events per year.

(1.3) Market Surveys to Identify Information Needs/Assess Success of Messages

The water provider surveys customers to gather data regarding information needs, program preferences and/or response to conservation messages. Prior to designing a survey, the provider must set objectives for the survey and identify systematic methods for data collection, analysis, and communication of results. Survey results will be used to improve current water conservation activities and/or to plan future activities. This measure will be effective for only one year. In subsequent years, the provider must replace this measure with another BMP from categories 1 through 7 of this section. The new BMP must be appropriate for the provider's service area as reflected in the provider's approved Provider Profile.

CATEGORY 2: CONSERVATION EDUCATION AND TRAINING

Programs in this category are designed to assist users to better understand how to conserve water by providing written information and/or training in water conservation tools and techniques. The following programs qualify under this category:

(2.1) Adult Education and Training Programs

The water provider implements an adult education and/or training program. The program must include a combination of efforts to provide adults within the provider's service area with hands-on training. This may include, but is not limited to, regularly scheduled workshops for homeowners, a speaker's bureau, and/or training programs for landscape professionals. Programs can be targeted toward homeowners, landscape professionals, and/or non-residential users. A provider that implements multiple adult programs/efforts may be eligible to receive credit for more than one BMP if the programs/efforts can be shown to be separate and distinct from one another (i.e., a provider that maintains an active speakers bureau and offers a workshop series is eligible to receive credit for two BMPs).

(2.2) Youth Conservation Education Program

The water provider works with schools in its service area to increase students' understanding of water resources and to promote water conservation. The program may include, but is not limited to, a combination of providing instructional assistance, education materials, teacher education, classroom presentations, and field trips to water related facilities. A provider that implements multiple youth programs may be eligible to receive credit for more than one BMP if the programs can be shown to be separate and distinct from one another (i.e., a provider that offers free water conservation school assemblies with accompanying printed materials for elementary school students and also distributes a middle school student activity book and teacher guide is eligible to receive credit for two BMPs).

(2.3) New Homeowner Landscape Information

The water provider makes low water use landscape information packets available to all new owners of newly constructed homes, either through direct distribution (mail or delivery) or through delivery by the home builder. The provider also notifies new owners of existing homes (resale) that information on low water use landscaping is available and must provide such information on request. The number of notifications sent and packets mailed must be recorded and noted in the provider's conservation efforts report.

(2.4) Xeriscape Demonstration Garden

The water provider installs and maintains a water efficient demonstration garden. The garden must be available to the public and include interpretive signage and/or literature about low water use plants and/or water efficient landscape techniques.

(2.5) Distribution Plan for Water Conservation Materials

The water provider develops, maintains and utilizes a written distribution plan for marketing water conservation materials and programs. The plan must include the marketing channels that are available to promote water conservation programs and how those channels will be used. Communication modes used to promote water conservation programs may include water bill inserts, city cable, on-hold messages, e-mail messages, public events, water conservation workshops, water conservation web sites, and local publications. Distribution outlets for water conservation materials must be noted and may consist of partnerships with libraries, businesses (i.e., landscape architects, nurseries, realtors) or other related organizations (i.e., master gardeners). The plan must contain: (1) goals and objectives for distribution of materials over a two-year period, beginning the year following plan development; (2) a timetable for distribution; and (3) a mechanism for tracking distribution of materials. This measure will be effective for only one year. In subsequent years, the provider must replace this measure with another BMP from categories 1 through 7. The new BMP must be appropriate for the provider's service area as reflected in the provider's approved Provider Profile

CATEGORY 3: OUTREACH SERVICES

Programs in this category are designed to provide users with consultations, audits and/or retrofit information designed to improve water use efficiency. The following programs qualify in this category:

(3.1) Residential Audit Program

The water provider implements an audit program for residential customers. The audit can be self-audit (provider offers self-audit kits) or be conducted by the provider or its designated representative. Audits may include indoor and/or outdoor components, but must include a meter check. An audit may include, but would not be limited to, irrigation system, pool, water feature, toilets, faucets, and shower checks. The audit program must be offered to all homes within a provider's service area.

(3.2) Landscape Consultations (Residential and/or Non-residential)

The water provider or a designated representative offers landscape consultation services to residential and non-residential customers. The provider implementing this measure must focus on those portions of its service area with the greatest potential for savings. Services would include evaluation of irrigation system, controller programming/irrigation

scheduling and plant selection/turf conversion possibilities. A meter check also could be included. The individual providing the consultation must provide either on-site written suggestions or on-site verbal suggestions with written follow-up. Other related programs (i.e., rebates for turf removal/converting to xeriscape) could be offered during the consultation.

(3.3) Water Budgeting Program

The provider offers assistance to one or more non-residential water user groups (such as homeowner associations, industry, commercial properties, government facilities or parks) in developing monthly and/or annual water use target amounts for outdoor and/or indoor water use that reflect highly water efficient water use/application rates. These rates should meet or exceed water use efficiencies required for similar uses in the Department's Third Management Plan. If they are not addressed in the Plan, water use rates should be commensurate with state of the art water efficiency standards found elsewhere in the body of water conservation literature.

(3.4) Residential Interior Retrofit Programs

The water provider provides free or low cost plumbing fixtures and/or fixture retrofits, such as faucets, faucet aerators, low flow showerheads, toilets and toilet dams, to residential customers living in homes built prior to the adoption of the 1990 Uniform Plumbing Code requiring low flow plumbing fixtures. The provider must offer the fixtures/fixture retrofits to all residential customers meeting the above criteria unless the provider can demonstrate that targeting certain portions of its water service area is likely to yield the highest participation and/or potential water savings. The provider must select appropriate communication channels to advertise the program.

(3.5) Non-residential Interior Retrofit Programs

The water provider provides free or low cost plumbing fixtures and/or fixture retrofits, such as faucets, faucet aerators, low flow showerheads, toilets, urinals, and toilet dams, to non-residential customers with facilities built prior to the adoption of the 1990 Uniform Plumbing Code requiring low flow plumbing fixtures. The provider must offer the fixtures/fixture retrofits to all non-residential customers meeting the above criteria unless the provider can demonstrate that targeting certain portions of its water service area is likely to yield the highest participation and/or potential water savings. The provider must select appropriate communication channels to advertise the program.

(3.6) Customer High Water-Use Inquiry Resolution

The water provider assigns a designee(s) to assist citizens with their high water-use complaints. The program includes a site inspection to discover the cause of an increase in the water bill. To receive credit for this measure, the provider must follow up in some way on every customer inquiry and keep a record of inquiries and follow-up activities.

(3.7) Customer High Water Use Notification

The water provider monitors customers for high water use. To receive credit for this measure, the provider must contact the high water use customers via telephone, by email, by mail or in person. The notification must include information on provider services that could benefit the customer, such as audit programs, publications, and rebate programs.

The type of notification and the criteria used for determining which customers are notified must be recorded.

(3.8) Water Waste Investigations and Information

The water provider assigns a designee(s) to assist citizens with water waste complaints. A complaint investigation would typically include a site inspection and some type of follow-up action, such as education of the customer to prevent water waste or a letter of enforcement if applicable. To receive credit for this measure, the provider must follow up in some way on every water waste complaint and keep a record of complaints and follow-up activities.

CATEGORY 4: PHYSICAL SYSTEM EVALUATION AND IMPROVEMENT

These programs ensure that the water system is running at optimal efficiency (maintenance) or to improve water use efficiency in the physical water system by making one or more physical system improvements. The following programs qualify in this category:

(4.1) Leak Detection Program

The water provider implements a systematic evaluation of its water distribution system to identify and fix leaks. The provider must implement this program throughout its service area unless the provider can demonstrate that targeting certain portions of their water service area is likely to yield the highest potential water savings.

(4.2) Meter Repair and/or Replacement Program

The water provider implements a program to systematically assess the meters in its water service area to identify under-registering meters and to repair or replace them.

(4.3) Comprehensive Water System Audit Program

The water provider conducts a systematic audit of its water distribution system, systems control equipment, and water records to identify and quantify water losses. The audit must include an analysis of results that includes plans for corrective measures and can be a precursor to a leak detection and/or meter repair/replacement program. This BMP will be effective for only one year (unless the provider can offer justification for an ongoing or multi-year program). In subsequent years, the provider must replace this measure with another BMP from this list of additional BMPs to continue to meet its Modified NPCCP requirements.

CATEGORY 5: ORDINANCES / CONDITIONS OF SERVICE/TARIFFS

Programs in this category are designed to reduce water use within the service area and/or increase water use efficiency by limiting or reducing water used for specific purposes. Ordinances would apply to cities and towns and tariffs would apply to ACC regulated municipal providers (private water companies). A water provider that is not directly part of a municipality can get credit if it works with local or county jurisdictions to implement a new ordinance. Each ordinance/tariff/condition of service selected from the list below will be counted as one BMP.

(5.1) Low Water Use Landscaping Requirements for Residential, Multi-family, Non-residential, and/or Common Areas.

(5.2) Water Tampering / Water Waste Ordinances

*(5.3) **Plumbing Code Requirements***-- if they are more restrictive than the 1990 Uniform Plumbing Code or its equivalent

*(5.4) **Limitations on Water Features** (fountains, waterfalls, ponds, water courses and other artificial water structures) **and/or Water Intensive Landscaping and Turf***

*(5.5) **Ordinance for Model Homes in New Residential Developments***

Landscaping at model homes in new residential developments is required to be water efficient. Water-intensive landscaping is limited to functional areas and/or limited in size.

*(5.6) **Graywater Ordinances*** -- required onsite graywater/water harvesting features at residences and/or businesses

*(5.7) **Requirements for Car Wash Water Recycling***

*(5.8) **Landscape Watering Restrictions** (time of day, etc.)*

*(5.9) **Requirements for Hot Water Recirculation Devices** for Residential, Multi-family, and/or Non-residential Sectors*

*(5.10) **Retrofit on Resale***

As an ordinance or as a condition of service, the owner of a single-family home, a multi-family home complex, and/or a non-residential facility is required to replace all plumbing fixtures inside the housing unit/commercial unit that do not conform to current low water using standards. This could be done by the seller prior to sale or by the buyer subsequent to the sale. Retrofits would include replacement of toilets, showerheads, and faucets

*(5.11) **Landscape Water Use Efficiency Standards for Non-residential Users***

*(512) **Conservation Tariff** (private water companies)*

*(5.13) **Requiring a Water Use Plan***

A plan is to be submitted by all new commercial, industrial, and institutional users with a projected annual water use requirement of ten acre-feet or more per year. The water use plan must identify all water uses anticipated by the user, and the water efficiency measures associated with the uses. The water use plan must include at least three of the following:

a. Statement of water efficiency policy.
b. Water conservation education/training for employees.
c. Identification of on-site recycling and reuse strategies.
d. Total cooling capacity and operating TDS or conductivity for cooling towers.
e. Identification of best available technologies used for process, cooling, and domestic water uses.
f. Landscape watering system distribution uniformity and landscape water budget.
g. Total annual water budget for the facility.

CATEGORY 6: REBATES/INCENTIVES

Programs in this category are designed to provide users with an incentive for implementing a water conservation practice. Program can include rebates or incentives such as fee reductions and/or waivers. The following programs qualify in this category:

A. INCENTIVES (INDOORS)

(6.1) Toilet Rebate Program

The water provider offers a financial rebate or incentive to all owners of residential and/or multi-family homes in the provider's service area that were constructed prior to adoption of the 1990 Uniform Plumbing Code for the replacement of high water use toilets with a ULF toilet.

(6.2) High Efficiency Flush Toilet Rebate Program

The water provider offers a financial rebate or incentive to all owners of residential and/or multi-family homes in its service area to replace a high use toilet with an hef **toilet.**

(6.3) Toilet Replacement Program

The water provider implements a program to replace high use toilets with ULF or HEF toilets in residential and/or multi-family homes in the provider's service area.

(6.4) Indoor Water Fixture Replacement/Rebate/Incentive Program

The water provider implements a program to retrofit indoor water fixtures, including showerheads, aerators and toilet flappers, in all homes and multi-family homes within its service area constructed prior to adoption of the 1990 Uniform Plumbing Code. The provider shall offer to replace the fixtures or shall offer a financial rebate or incentive for homeowners to replace the fixtures.

(6.5) Rebate for Hot Water Recirculating Systems/Instant Hot Water Systems

The water provider shall offer a financial rebate or incentive to residential, multi-family, and/or non-residential customers to install hot water recirculation devices or devices that provide instant hot water at the point of use.

(6.6) Water Efficient Appliance Rebate/Incentive Program

The water provider shall offer to customers a financial rebate or incentive for the acquisition of water efficient appliances.

B. INCENTIVES (OUTDOOR)

(6.7) Graywater Retrofit Rebate/Incentive

The water provider shall offer customers a financial rebate or incentive for the retrofit of an onsite graywater feature, along with education on how to retrofit and the benefits of using graywater onsite.

(6.8) Water Harvesting Retrofit Rebate/Incentive

The water provider shall offer customers a financial rebate or incentive for the installation of water harvesting features that may include gutters, downspouts, landscape designs, and containers, along with information about water harvesting techniques.

(6.9) Landscape Conversion Rebate/Incentive

The water provider shall offer customers a financial rebate or incentive for the conversion of landscape to reduce the overall outdoor water usage. This would most likely involve replacing turf with a xeriscape landscape. Information about landscape conversions must be provided to customers.

(6.10) Rebate/Incentive for Installing Xeriscapes in New Landscapes

The water provider offers customers with new landscapes a financial rebate or incentive for installing a xeriscape landscape.

C. NON-RESIDENTIAL

(6.11) Commercial and Industrial program

The water provider identifies commercial and industrial customers with the highest conservation potential and implements a water conservation program for those customers. The program may include toilet rebates or replacements, audits, incentives and grants.

(6.12) Large Landscape Conservation Program

The water provider implements a program to provide non-residential customers with support and incentives to improve their landscape water use efficiency.

(6.13) No/low interest loans for implementing BMPs

The water provider offers assistance to customers wishing to invest in projects intended to reduce existing water use or bring new uses in at high rates of efficiency.

CATEGORY 7: RESEARCH/INNOVATION PROGRAM

Programs in this category are designed to encourage water providers to conduct systematic evaluations of conservation measures already implemented, to implement state of the art water conservation technologies and techniques, and/or to develop and/or try new technologies and techniques. The following programs qualify in this category:

(7.1) Implementation of an Emerging Technology

To receive credit for this measure, the provider must submit with its Conservation Efforts Report documentation that includes a description of the technology, any available information on water savings, a description of how the technology was implemented within the provider's service area and a description of the results. This documentation shall also be made available for public distribution.

(7.2) Initiating Applied Research -- to enhance program decision making or provide financial support or in-kind services for such projects

To receive credit for this measure, a provider must describe its involvement/participation and method(s) of support. Upon completion of the research, the provider shall submit documentation of the analysis and results with its Conservation Efforts Report. This documentation shall also be made available for public distribution.

(7.3) Evaluation of New and Emerging Technologies and Practices

To receive credit for this measure, the provider must submit documentation with its Conservation Efforts Report stating the objectives of the evaluation, methods used to conduct the evaluation, and results of the investigation. This documentation shall be made available for public distribution.

(7.4) Conducting a Quantitative Analysis -- of a conservation measure that yields results regarding actual water savings

To receive credit for this measure, the provider must submit documentation with its Conservation Efforts Report stating the methods used to conduct the analysis and the results of the investigation. This documentation shall be made available for public distribution.

(7.5) Implementation of Smart Irrigation Technology

To receive credit for this measure, the provider must briefly describe the project location, implementation methods, and estimates of irrigation efficiency or water savings, if and when available, and submit the information with its conservation efforts report.

(7.6) Development of Industry Partnerships to encourage and implement collaborative efforts and activities designed to save water. To receive credit for this measure, a provider must describe the partnership, its objectives, its ongoing efforts and any efforts planned for the future, and submit the information in its Conservation Efforts Report.

(7.7) Providing Financial Support or In-kind Services for Development of New Conservation Technologies and Products

To receive credit for this measure, the provider must describe its involvement/participation and method(s) of support. Upon completion of the research, the provider must submit documentation of the analysis and results with its Conservation Efforts Report.

(7.8) Piloting a New Initiative, Project or Program

To receive credit for this measure, the provider must submit documentation with its Conservation Efforts Report that includes a description of the project/program, a description of how the project/program was implemented within the provider's service area, and a description of the results.

PROCEDURE FOR ADDING A BMP TO THE LIST OF ADDITIONAL BMPS

1. A large municipal provider may apply to the director to add a BMP to the list of additional BMPs set forth in this appendix.
2. Upon receipt of an application submitted pursuant to paragraph 1 above, the Director shall review the application and may request additional information from the applicant and may seek information from other sources as may be necessary to determine whether the BMP should be added to the list.
3. If the Director approves the application, the Director shall add the BMP to the list of additional BMPs set forth in this appendix. The Director shall post the modified list of additional BMPs on the Department's web site and shall file the modified list within the Active Management Area offices.

Modified Non-Per Capita Conservation Program Background and Rationale for Program Development

Introduction

In April 2007, legislation was passed to add a new regulatory program, the Modified Non-Per Capita Conservation Program (Modified NPCCP), to the Arizona Department of Water Resources (Department) Third Management Plan for Active Management Areas (AMAs). The Third Management Plan was successfully modified to include the Modified NPCCP on April 1, 2008, and the modifications became effective May 20, 2008. The Transcript of Hearing, Order of Adoption, and Modifications for each AMA can be found on the Department's website, in the section Laws, Rules, and Substantive policy statements[1].

The Modified NPCCP, addresses large municipal water providers (cities, towns and private water companies serving more than 250 acre-feet per year) and was developed in conjunction with stakeholders from all AMAs. Participation in the program is required for all large municipal water providers that do not have a Designation of Assured Water Supply and that are not regulated as a large untreated water provider or an institutional provider.

The Modified NPCCP is a performance-based program that requires participating providers to implement water conservation measures that result in water use efficiency in their services areas. A water provider regulated under the program must implement a required Public Education Program and choose one or more additional Best Management Practices (BMPs) based on its size, as defined by its total number of water service connections. The provider must select the additional BMPs from the list included in the Modified NPCCP Program.

History

Since the inception of municipal conservation requirements in the Department's management plans, public and private water utilities in the AMAs have been regulated largely in the same manner through the Total Gallons Per Capita Per Day (GPCD) Program. Private utilities, as well as some municipalities, have claimed that regulation under the Total GPCD Program restricts their ability to serve increasing non-residential water uses. While alternative municipal conservation programs that address this issue exist, private water companies have maintained that enrollment requirements for these programs would require significant additional expense, with no guarantee that the Arizona Corporation Commission (ACC) would allow them to recover the costs through increased

[1] http://www.azwater.gov/dwr/Content/Find_by_Category/Laws_and_Rules/default.htm

rates. Several years of internal consideration and discussion, as well as litigation brought by private water companies challenging the municipal conservation program, eventually resolved some of the issues raised by the utilities.

Review & Stakeholder Process

In early 2005, the Department made the commitment to conduct a formal review of the municipal conservation program for large municipal providers in AMAs and assigned staff to organize and facilitate the review. Interviews were held with AMA Directors and other Department staff who had direct experience with the development and/or implementation of the municipal program. Additional interviews were held with twenty-two water providers in the Phoenix, Tucson, Pinal and Prescott AMAs, as well as staff from the Arizona Corporation Commission to introduce the review process, to request feedback on the existing regulatory program, and to ask for ideas regarding additional options that may be considered during the review process. A detailed summary of the comments and suggestions offered during these meetings can be found on the Department's website in the report, *Evaluation of the Third Management Plan Program for Large Municipal Water Providers in Active Management Areas: Summary of Interviews and Framework for the Stakeholder Process.*

Department staff and municipal water provider representatives reached a general consensus to continue the review process to consider the possibility of developing an alternative to the municipal provider regulatory programs then in existence. Those who were interviewed, including Department staff and water providers, suggested the following general approaches: (1) a program for municipal water providers to develop and implement a water conservation plan, (2) a prescribed conservation program, or BMP program, whereby all municipal providers would implement a basic set of water conservation measures, then choose additional measures to correspond with their service area characteristics, and (3) a modified Alternative Conservation Program (ACP), which would be similar to the ACP currently available pursuant to the Third Management Plan but with the requirement to obtain a Designation of Assured Water Supply instead of being assigned groundwater limitations.

Department staff met with a stakeholder group comprised of staff from regulated water providers, the ACC, the Department of the Interior, the Central Arizona Project (CAP) and other interested parties to review and discuss the municipal conservation requirements of the Third Management Plans. The intended outcome of this process was to develop a municipal conservation program that fosters water use efficiency and a long-term culture of conservation within the five AMAs of the state that can be effectively implemented by the Department, and that addresses concerns expressed by private water companies.

The formal stakeholder process was initiated in February 2006 to present information gathered to date and to present the possible options for a new municipal conservation program identified during the informal information gathering process. All large municipal water providers in all AMAs were invited to participate in the process. Stakeholder meetings were held throughout the year. Early in the process, stakeholders expressed their preference for developing a BMP program. The remainder of the stakeholder process was dedicated to this objective. Also during that time, a BMP subcommittee, comprised of volunteers from the larger stakeholder group, met to refine the general listing of BMPs

generated by the stakeholder group, prepare definitions for some of the BMPs and discuss possible components of a program framework. Through this stakeholder process, a general consensus was reached on the program framework and the list of BMPs.

Legislation

During the fall and winter of 2006, Department staff prepared draft legislation to enable implementation of the program. Rather than adding language specifying an additional municipal conservation program, the draft legislation proposed modifying the existing Non-Per Capita Conservation Program to include provisions for the Modified NPCCP. The BMP program became officially entitled the Modified NPCCP. The legislation, SB 1557, was introduced and passed during the 2007 Legislative Session. The Third Management Plan was successfully modified to include the Modified NPCCP on April 1, 2008, and the modifications became effective May 20, 2008.

Municipal BMP Advisory Committee

The enabling legislation for the Modified NPCCP allows for the establishment of an advisory committee to assist in evaluating the program. A Municipal BMP Advisory Committee was established in October 2008 to provide guidance to the Department in its efforts to review and evaluate the program's implementation and water use efficiency. The committee will review program developments, provide recommendations intended to improve implementation of the program, and participate in evaluations of the program.

Program Benefits

With the help of the stakeholder group, the Department has developed a program that it believes will increase water use efficiency in the municipal sector; a program that is especially applicable to private water utilities and smaller municipalities. Department staff will assist water providers in identifying the most effective water conservation measures for their communities. It should be recognized that the largest water providers (Phoenix, Tempe, Mesa, Chandler, Glendale, Peoria, Scottsdale, Gilbert, Goodyear, Avondale and Surprise in the Phoenix AMA, and Tucson and Metropolitan Domestic Water Improvement District in the Tucson AMA) have been successfully implementing extensive water conservation programs over the past 25 years. The successful experience of these water providers was used in developing the program. In contrast to the Total GPCD program, the Modified NPCCP focuses more directly on the water use characteristics within a water provider's service area. It also focuses more directly on conservation of all water resources, not just groundwater.

ARIZONA DEPARTMENT OF WATER RESOURCES
Conserving Water Today for Arizona's Tomorrow

Modified Non-Per Capita Conservation Program

A New AMA Regulatory Program for Large Municipal Providers*

Required for those that do not have a Designation of Assured Water Supply;
Optional for those that do.

Public Education Program

- Communicate to customers about water conservation
- Provide free written water conservation material

BMPs (Best Management Practices)

- Implement 1 BMP if you have up to 5000 connections; 5 BMPs for [illegible] BMPs for > 30,000 connections
- Select BMPs that match your service area characteristics and/or water use patterns [illegible] BMPs

Provider Profile

- Due within 6 months of notice date
- Resubmit every 3 years
- If service connections increase to a higher tier, new Profile is due within 60 days

Conservation Efforts Report

- Submit with your Annual Water Withdrawal and Use Report [illegible]

Rate Structure

- Submit with your Provider Profile

**Large municipal providers serve more than 250 acre-feet of water per year for non-irrigation use.*

ATTACHMENT 2

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES, CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, FOR A RATE ADJUSTMENT	Docket No. W-03994A-07-0657 **DIRECT TESTIMONY OF PETER CHAN**

Q-1 Please state your name and current employment position:

A-1 Peter Chan, PE (AZ 30677)
President – CSA Engineering

Q-2 Describe your educational and professional background:

A-2 Bachelor of Science in Civil Engineering
Master of Science in Environmental Engineering
Professional Engineer, State of Arizona – specializing in water and wastewater treatment systems

Arizona Department of Environmental Quality – Certified Operator, No. 26138
Grade 2 – Water Treatment Plant Operator

Grade 2 – Water Distribution System Operator
Grade 2 – Wastewater Treatment Plant Operator
Grade 2 – Wastewater Collection System Operator

Q-3 What is the purpose of your testimony?

A-3 The purpose of this testimony is to establish that CSA Engineering has been hired by the Wickenburg Ranch Water Company to operate the water system. I will serve as the certified operator. I have reviewed Decision No. 70741 and believe implementing 10 Best Management Practices is not required by rule and is impractical for a small water company.

Q-4 Describe your experience as a certified operator:

A-4 In the past 20 years, I have been involved in the design, retrofit or start-up operations for the following water storage, pump station and treatment facilities:

- Desert Oasis Reservoir & Pump Station, Surprise, Arizona
- Sun City 5.1 Well, Arizona
- Sun City West Water Well, Arizona
- Greer Ranch North Well, Arizona
- Pleasant Valley Reservoir & Pump Station, Peoria, Arizona
- Quintero Microfiltration Water Treatment Plant, Peoria, Arizona
- Liberty Farms Water Campus, Maricopa County
- Trillium Arsenic Treatment Facility, Buckeye, Arizona

I also have been involved in the design, retrofit or start-up operations for the following wastewater treatment facilities:

- 91st Avenue 180 mgd Chlorination Improvements Project
- 4.5 mgd Arrowhead Ranch Water Reclamation Facility
- Boulders West Wastewater Treatment Facility
- Roberto Bustamante Wastewater Treatment Facility
- Gold Canyon Water Reclamation Facility
- Quintero Water Reclamation Facility

Q-5 Please explain your proposed role as the certified operator:

A-5 My role as a certified operator is to properly operate the plant to ensure safe and reliable water service that meets all applicable rules and regulations is delivered to the customers.

Q-6 Why do you believe implementing 10 Best Management Practices is not required by rule?

A-6 The Best Management Practices referenced in Decision No. 70741 are applicable by rule only to water providers within Active Management Areas and Wickenburg Ranch is not within an Active Management Area. Further, it only applies to water providers who are not designated and the Water Company is a designated provider. Moreover, the rules state that a water providers with less than 5,000 connections should apply one best management practice. Only water providers with more than 30,000 connections have to adopt 10 Best Management Practices. This is because small water companies do not have the resources to implement so many practices.

Q-7 Why do you believe implementing 10 Best Management Practices is not

practical for the Water Company?

A-7 The Water Company is going to serve a new development. The plumbing being installed will be efficient, so there will be no reason to retrofit or improve such facilities. Further, as a small water provider, the Water Company cannot afford rebates or funding conservation research. Unlike a city, town, or county, a water company does not have the legal authority to require its private customers to make most of improvements suggested in Category 5.

Q-8 Is the decision to adopt Best Management Practices essentially a management decision that should be left to the Water Company?

A-8 Yes. The Water Company should be able to choose whether or not it is prudent to implement such practices, but it should not be required to do so, especially before there is a history of water service.

Q-9 Do you know of any other water company that has been required to adopt these best management practices by the Arizona Corporation Commission?

A-9 No.

Q-10 Does that conclude your direct testimony?

A-10 Yes.

ATTACHMENT 3

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IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, FOR A RATE ADJUSTMENT	Docket No. W-03994A-07-0657 **DIRECT TESTIMONY OF WILLIAM I. BROWNLEE**

Q-1 Please state your name and current employment position:

A-1 William I. Brownlee, Manager, the M3 Companies.

Q-2 Describe your educational, professional background, and experience with forming and operating water companies:

A-2 I am a managing partner of the M3 Companies primarily responsible for contract negotiations, feasibility analysis, equity and financing, land and community planning, entitlements, engineering and development, as well as legal and accounting. I have been active in Arizona real estate for more than two decades.

During that time, I have been involved with the construction of water systems necessary to develop property. Recently, I helped form the American Ranch Domestic Water Improvement District and served as a director. Director responsibilities include governing and managing district operations.

Q-3 What is the purpose of your testimony?

A-3 The purpose of my testimony is to: (1) explain the relationship between the water company ownership, management, and landowners; (2) the proceedings that lead to the amended decision; (3) cost and economic impact of rainwater catchments; and (4) rainwater catchments, xeriscaping, and Best Management Practices are not necessary for the operation of the water company.

Q-4 Explain the relationship between the water company ownership, management, and landowners as well as your role with each.

A-4 Wickenburg Ranch is owned by JVT Investors, LLC (JVT), Van Development Co., Inc., and 5860 Development, Inc (collectively "Landowners"). JVT is handling the development of the Resort and Wickenburg Ranch. JVT is an Arizona limited liability company, with Van Tuyl Family Trusts as members, and 7575 Development, Inc. as manager. Larry Van Tuyl is the President of 7575 Development. Van Development Co., Inc. is a Texas corporation, with Cecil Van Tuyl as President. 5860 Development, Inc. is an Arizona Corporation, with Larry Van Tuyl as President. The Landowners are acting privately and not as a public service corporation.

M3 Builders is managing the development of the land as well as the Wickenburg Ranch Water Company LLC ("Water Company") and wastewater company. M3 Builders is a developer of master planned communities. After the sale to the Landowners, M3 Builders was retained as the project manager, and now manages the day-to-day construction operations of the development for the property.

The Water Company is an Arizona entity. The member of the Water Company is Van Wick LLC. The Water Company is a public service corporation. Because M3 Builders is managing the Water Company, wastewater company, and the land operations, I have knowledge regarding the Landowners and their plans for the property, but my appearance in this proceeding is on behalf of the Water Company.

Q-5 Please explain why the Water Company does not want to require that all of its customers install rainwater catchments as a condition of service.

A-5 First, rainwater catchment systems are expensive to operate and maintain. To purchase and install rainwater catchments that will operate well in the arid Wickenburg area will likely cost homeowners approximately $6,000 to $8,000. Accordingly, at full build-out of all 2,324 residential homes, the rainwater catchments could cumulatively cost approximately $14,000,000 to $18,600,000 to install. In today's market, home builders are trying everything they can to reduce costs, so adding rainwater catchment systems and associated expenses run contrary to market demands. Further, other developments in the area will not have this requirement, thereby making the Wickenburg Ranch community less

competitive on a cost basis as well as a maintenance basis. This all affects the Water Company because if the lots are not purchased, then the Water Company has fewer customers and less revenue, making it financially weaker and causing its actual customers to pay higher water rates in addition to purchasing and maintaining the rainwater catchment system.

Furthermore, these catchments can cause health and safety concerns due to water stagnation and require significant maintenance in arid climates, which is one reason the systems commonly fall into disrepair.

Q-6 Please explain why the Water Company does not want to require that all of its customers to fully xeriscape their front yards as a condition of service.

A-6 Rather than requiring mandatory xeriscaping in the front yards, we find it more practical and consumer friendly to provide a set of guidelines that limits landscaping that has a large water requirement, such as turf, and designate a reasonable area of turf per lot. This will give customers flexibility and encourage the utilization of drought tolerant, low water use landscaping designs.

Q-7 Are you concerned that the rainwater catchments will not function well in Wickenburg Ranch?

A-7 Yes. Based upon my research, I have learned that rainwater catchments do not work well in arid climates because they to do capture enough rainwater to work effectively. This leads to homeowners trying to bypass the system, maintenance issues with algae growth, and clogged lines and heads within the irrigation system. In addition, this is a deterrent for lots sales within the community to builders due

to the high risk of warranty issues related to the water catchment systems. Without a continuous source of rainwater to capture and deliver and ongoing maintenance, the equipment falls into disrepair.

Q-8 Are you concerned that implementing a large-scale rainwater catchment program may give rise to legal liability for the landowners?

A-8 Yes. There is no state law that exempts water catchments from the rules governing surface water. In other states that follow the doctrine of prior appropriation, such as Colorado and Utah, rainwater catchments cannot by legally used without a permit or decreed water right. Yavapai County retention policies preclude rainwater catchment basins based upon health and water rights concerns. See Exhibit 1. Here, the rainwater catchments taking water from rooftops alone could withdraw 138 acre-feet of water from the surface water system, so it seems prudent that the landowners installing rainwater catchments systems might have to secure a water right before taking the rainwater.

Q-9 Did you have any notice before the hearing when the Arizona Corporation Commission added the amendments regarding the conditions concerning rainwater catchments, xeriscaping, or best management practices?

A-9 No. These were never issues throughout the year-long proceeding until the hearing before the Arizona Corporation Commission. The Water Company did not receive actual notice of the proposals until minutes before that hearing. Thus, the Water Company had no time to prepare to rebut these conditions. Also, the Water Company now understands that it has no authority to require the

landowners within its CC&N to install rainwater catchments or xeriscaping. In addition, the Water Company is not subject to the best management practice rules promulgated by ADWR.

Q-10 Why do you believe the Arizona Corporation Commission wants to require the Water Company and its customers to be subject to the rainwater catchment, xeriscaping, and best management practice terms as set forth in Decision No. 70741?

A-10 Chairman Mayes stated at the hearing, and the Decision makes clear, that the reason for those amendments was because Wickenburg Ranch resort has a golf course. It is important to note, however, that the landowners have received the proper approvals from Yavapai County to construct and operate the golf course and the landowners have the legal right to use the groundwater for that purpose. Moreover, as the community builds out, the golf course will be increasingly irrigated with effluent and ultimately effluent will supply 100% of its irrigation demand.

Q-11 Does that conclude your direct testimony?

A-11 Yes.

EXHIBIT 1

Maintenance Policies

l. A maintenance plan shall be prepared in conjunction with the detention/retention basin design that includes both scheduled and unscheduled maintenance activities. SCHEDULED MAINTENANCE includes such items as mowing, pruning, and trash removal that are performed on a regular basis. UNSCHEDULED MAINTENANCE includes repairs, usually made necessary by storms and floods, which are discovered either during regularly scheduled inspections, or during inspections made after flooding. Unscheduled maintenance shall also include removal of sediment buildup.

m. Maintenance ramps or other access shall be provided into detention/retention facilities in order to facilitate scheduled and unscheduled maintenance activities. Access easements from public right-of-way shall be provided to all detention/retention facilities.

n. Maintenance of local detention/retention facilities, provided in conjunction with new developments, shall be the responsibility of the private property owner or neighborhood association. The District shall reserve the authority to periodically inspect privately-owned detention/retention basins to ensure satisfactory maintenance is being provided.

o. Final Plats, Development Plans and CC&R's shall have a note stating (a) that the owner(s) shall be solely responsible for the operation, maintenance, and liability for detention/retention systems; and, (b) that District staff may periodically inspect the detention/retention facilities to verify that scheduled and unscheduled maintenance activities are being performed adequately.

Retention Policies

p. Stormwater retention basins are generally not permitted within Yavapai County, because of concerns related to water rights and the potential problems associated with long-term ponding of stormwater. However, retention basins may be permitted to meet stormwater detention criteria when a more conventional stormwater detention basin is impractical (e.g. if adequate grade is not available for draining the basin).

q. Maximum disposal times for stormwater runoff for retention facilities are as follows:

q.1 12 hours for basins that intercept runoff from an upstream watershed area that is ten acres in size, or smaller.

q.2 24 hours for basins that intercept runoff from an upstream watershed area that is greater than ten acres and less than 30 acres in size.

ATTACHMENT 4

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BOB STUMP

IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, FOR A RATE ADJUSTMENT	Docket No. W-03994A-07-0657 **DIRECT TESTIMONY OF WENDELL PICKETT**

Q-1 Please state your name and current employment position:

A-1 Wendell Pickett, partner and vice-president of Greey Pickett Partners.

Q-2 Describe your educational and professional background:

A-2 I receive a B.A. from University of Redlands with an emphasis in planning and design. I have been in the planning and design industry since 1984. Most of that time I have focused on large-scale master-planned communities, such as

Wickenburg Ranch. Local Arizona projects include Vistancia and Superstition Mountain communities.

Q-3 What is the purpose of your testimony?

A-3 The purpose of this testimony is to explain (1) the design of the community as it relates to surface water run off; (2) planned development landscaping and vegetation; (3) the economic impact of rainwater catchments for xeriscaping; and (4) operational issues with rainwater catchments.

Q-4 Please explain how the Wickenburg Ranch community drainage is planned.

A-4 Generally speaking, consistent with sound engineering practice and land planning, the community drainage is designed to cause surface water to flow away from all structures towards natural drainages and basins. Stormwater falling upon residential and commercial lots flows away from the structures generally into the drainage system. This avoids the health and safety issues that can arise due to retaining stormwater on lots.

Q-5 What type of landscaping is planned for the development?

A-5 Wickenburg Ranch is being carefully designed to use native and desert vegetation throughout most of the development. Further, the golf course was designed to use 35% less water than the average golf course in the central Arizona area.

Q-6 In your opinion, what is the impact of requiring only xeriscaping in front yards of all residential lots within Wickenburg Ranch?

A-6 Approximately 50% of potential home buyers want some amount of non-xeriscaped landscaping in the front yard. If all of the front yards within

Wickenburg Ranch had xeriscape exclusively, then the curb appeal for the homes would suffer drastically. This will have a substantial adverse impact on home absorption rates and limit the ability of current landowners to sell portions of the project to home builders.

Q-7 What is a rainwater catchment system?

A-7 There are two types of rainwater catchment systems. The first type of catchment is essentially a ponding catchment where stormwater run-off reaching the ground is funneled into what is essentially a small water basin created by excavating an area below surface grade. The second type of catchment system is a container or barrel catchment system. This system typically collects stormwater from rooftops and other impervious improvements and delivers it into a container. This water is not safe to drink without treatment and should be managed very carefully.

Q-8 What type of operational issues exist with the ponding type of rainwater catchment system?

A-8 First of all, the ponding area is usually landscaped with turf so that the catchment basin avoids the issues relating to mud, which can cause problems when the water is being cycled for use. This turf creates an additional water demand during times when there is limited rainfall. Further, when the ponds contain water, safety issues can arise due to the fact the pond will hold water for some time and that water stagnates. This can cause serious health concerns, such as those associated with West Nile virus. Further, such ponds constitute an attractive nuisance giving rise to health and safety risks for children who may play near or in the ponding area.

Moreover, since these ponds will cause water to filtrate into the ground, it can create soil stability issues and cause nearby buildings and other structures to fail. Finally, they are very expensive to install and operate, especially where there is only a limited supply of rainwater.

Q-9 What operational issues exist with the container type of catchment systems?

A-9 My understanding is that the container catchment systems hold water essentially in a barrel of some size. In dry areas such as Wickenburg, these barrels may hold the water for long periods until there is enough water to use for landscaping. This causes the water to stagnate and in warm temperatures, the water can become very unsafe for human consumption. Further, the barrels and system will eventually fail, which causes the same problems that the ponding catchments cause. These container systems can be expensive to install and operate and require substantial maintenance. Simply stated, these container systems are not cost effective.

Q-10 Did you research the state rules and regulations for specifications on rainwater catchments?

A-10 Yes, I did. I found no rules or regulations regarding rainwater catchments.

Q-11 Did you research any other jurisdictions regarding rainwater catchments?

A-11 Yes. I researched the use of rainwater catchments in Santa Fe and Tucson, and in both areas, the general consensus is that they did not work well and the public opinion of these systems was negative.

Q-12 Does that conclude your direct testimony?

A-12 Yes.

ATTACHMENT 5

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IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, FOR A RATE ADJUSTMENT	Docket No. W-03994A-07-0657 **DIRECT TESTIMONY OF JOEY PLATTS**

Q-1 Are you the owner of property within the Wickenburg Ranch Water Company's ("Water Copany") CC&N?

A-1 Yes.

Q-2 Are you aware of the Arizona Corporation Commission's decision demanding that the Water Company require all of its customers install rainwater catchments and full xeriscape in the front yard as a condition of potable water service?

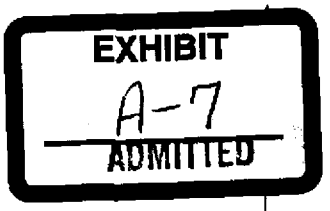
A-2 Yes.

Q-3 As a person who would be subject to those conditions if implemented, what is your opinion about those requirements?

A-3 I believe it would be very unfair to require water customers to meet these demands. These demands are not necessary and the rainwater catchment systems can be very expensive. It would be a complete waste of money. Based on conversations with engineers, I believe these requirements make no sense and would not save any water, but it could create all sorts of problems. These conditions should be removed.

Q-4 *Does that conclude your direct testimony?*

A-4 Yes.



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SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, FOR A RATE ADJUSTMENT	Docket No. W-03994A-07-0657 **NOTICE OF FILING OF DIRECT TESTIMONY AND POTENTIAL EXHIBITS TO BE USED ON REHEARING**

Wickenburg Ranch Water, LLC ("Company"), hereby gives notice that it is filing the surrebuttal testimony of the following witnesses:

- Marvin Glotfelty (Attachment1); and
- Sonn Rowell (Attachment 2).

The surrebuttal testimony of each of these witnesses is being submitted with this notice.

The Company expressly reserves the right of its witnesses to address at hearing issues of fact and expert opinion that may have been impliedly or expressly raised by Mr. Olea's rebuttal testimony that contradict their direct testimony. The Company further

discloses in this matter and enters into the record its Response to Data Request. *See* Attachment 3. All information produced therein can be adopted as testimony by appropriate Water Company witnesses. The Company further reserves the right to submit impeachment evidence, if applicable.

DATED June 8, 2009.

MOYES SELLERS & SIMS, LTD.

Steve Wene
Attorneys for Wickenburg Ranch Water

Original and **thirteen** copies
filed June 8, 2009 with:

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ATTACHMENT 1

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Attorneys for Wickenburg Ranch Water, LLC

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES, CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, FOR A RATE ADJUSTMENT	Docket No. W-03994A-07-0657 **DIRECT TESTIMONY OF MARVIN GLOTFELTY**

Q-1 Please state your name and current employment position:

A-1 Marvin Glotfelty, Principal Hydrogeologist with Clear Creek Associates in Scottsdale, Arizona.

Q-2 You have previously described your educational and professional background in this matter when you filed direct testimony, correct?

A-2 Correct.

Q-3 What is the purpose of your surrebuttal testimony?

A-3 The purpose of my testimony is to address certain statements made by Steven Olea that need to be clarified.

Q-4 What is the first point you need to clarify?

A-4 Even though the name of the water company has changed, it has not impacted the hydrologic facts upon which the designation of adequate water supply was granted. There is still adequate groundwater resources available to meet the projected demand created by the proposed development.

Q-5 What is the second point you need to clarify?

A-5 On pages 7 and 8 of his Direct Testimony, Mr. Olea states that conserving groundwater should be done whenever possible. This is an overly broad generalization that does not recognize the consequences. Here, for example, "conserving groundwater" by installing rainwater catchments will take water from a riparian habitat and wildlife that depends on that water. This adverse impact would be most pronounced during drought conditions, when the riparian plant and animal life and wetlands need rainwater the most. Thus, conserving groundwater by capturing rainwater in this case could significantly harm riparian areas and may not be worth the cost.

Q-6 What is the third point you need to clarify?

A-6 Mr. Olea states that requiring the Water Company to conduct a groundwater conservation program is in the public interest because the Arizona Department of Water Resources' order granting the designation of adequate water supply states that the agency may review and revise the designation and may revoke the

designation if new information supports that move. But this standard language in all such orders; it was not any indication that the water company's designation was somehow special or in need of special terms.

Q-12 Does that conclude your testimony?

A-12 Yes.

ATTACHMENT 2

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IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, FOR A RATE ADJUSTMENT	Docket No. W-03994A-07-0657 **SURREBUTTAL TESTIMONY OF SONN S. ROWELL**

Q-1 Please state your name and current employment position:

A-1 My name is Sonn S. Rowell, and I am a Certified Public Accountant employed as a regulatory consultant for Desert Mountain Analytical Services PLLC ("DMAS"), where I am a managing member.

Q-2 Describe your educational and professional background:

A-2 I have a Bachelor of Science Degree in Accounting from Arizona State University, as well as my CPA certification from the Arizona State Board of Accountancy. I

have worked for many years in the practice of public accounting, and have held part-time teaching positions at Mesa Community College. After employment with the Utilities Division of the Arizona Corporation Commission for four years, I started DMAS and now specialize in regulatory accounting and consulting. My resume is already part of the record in this case as Attachment 1 to my Direct Testimony.

Q-3 What is the purpose of your testimony:

A-3 The purpose of my testimony is to offer surrebuttal testimony.

Q-4 In Decision No. 70741, the Arizona Corporation Commission ordered Wickenburg Ranch Water Company to require as a condition of service that its customers must xeriscape their front yard and install rainwater catchment systems. Please discuss the ratemaking implications of these provision.

A-4 As I understand, the xeriscaping and rainwater catchment systems will be purchased, installed, operated, and maintained by the customers, not the water company. Consequently, these provisions have nothing to do with setting reasonable rates. My understanding from speaking to the Water Company is that the rainwater catchment systems will cost the customers at least $6,000 and require maintenance. In my opinion, this could keep people from buying homes and will reduce the amount of customers in the rate base calculation, which will cause the cost of water service to be proportionately higher to the actual Water Company customers. The practical effect is that these conditions will substantially increase the cost of water service to the customers. My understanding from speaking to the company is that the rainwater catchment systems will provide at

most **13,801** gallons of water per year for each customer. This means the customer will save about $45.00 per year. At the company's current rates this results in a payback period of **about 132 years.**

Q-5 In your opinion can a conservation measure with a payback period of 132 years be considered cost effective?

A-5 I am not aware of any standards regarding the cost effectiveness of water conservation measures established by the Commission. However, in my opinion a payback period of **132** years indicates that rain catchment systems are not cost effective.

Q-6 In his testimony Mr. Olea indicates that the cost effectiveness of the raincatchment provisions should be evaluated when the company files tariffs for Commission consideration in compliances with Decision 70741. Do you agree?

A-6 Developing tariffs is a time consuming and costly exercise. Evaluating those tariffs will also take up valuable Staff time. Given the problems with the raincatchment requirements laid out in Mr. Glotfelty's and my testimony simply removing the requirement would be much more efficient than requiring the company to file tariffs. Additionally, the Legal Brief filed by Staff states that "...any allegations of a lack of substantial evidence in support of the conditions

will be remedied *during the rehearing."*[1] So it is not clear whether Staff believes these issues should be decided now or in the later tariff filing.

Q-6 In addition to the xeriscaping and rainwater catchment provisions, Decision No. 70741 orders the Water Company to adopt 10 Best Management Practices and prohibits it from selling groundwater for the purpose of irrigating any golf courses within the certificated area or any ornamental lakes or water features located in the common areas.

A-6 The rates that were approved in Decision No. 70741 did not consider water sales to golf courses, lakes, or water features. But adopting the 10 Best Management Practices may add significant operation and maintenance costs to the Water Company.

Q-7 Does that conclude your direct testimony?

A-7 Yes.

---

[1] Staff's Pre-Hearing Brief filed May 27, 2009. Page 10, Lines 5-6 emphasis added.

ATTACHMENT 3

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BEFORE THE ARIZONA CORPORATION COMMISSION

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BOB STUMP

IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, FOR A RATE ADJUSTMENT	Docket No. W-03994A-07-0657 **RESPONSE TO DATA REQUESTS**

SO 1-1 Referring to p. 3, lines 9-12 of Mr. Glotfelty's testimony, please provide factual support for the following sentence: "Due to this limited amount of rainfall on each lot, installing rainwater catchment systems is not cost effective for individual homeowners." In your answer, please specifically explain why you believe that "installing rainwater catchment systems is not cost effective for individual homeowners."

Response: Average rainfall in Wickenburg is 11.07 inches (0.9225 feet) per year. Let us assume that a rainwater catchment system could capture 100% of the rainfall falling on a 2,000 square-foot roof, which would amount to 13,801 gallons annually. Small catchment systems will cost approximately $6,000 to $8,000 to install. Amortizing $6,000 in a 30-year loan at 5.5% interest rate raises the catchment system cost to $31,124.33 per unit or a total cost to the Wickenburg Ranch project of $72,332,942.92

This does not include operation, repair and maintenance costs, which can be quite high. For example, an adequate submersible pump can cost $900, not including the cost for installation.

Next assume that the residence had only 900-square feet (.021 acres) of grass and absolutely no other irrigation for trees, ornamental plants, or gardens. Knowing that the annual irrigation demand for that amount of turf is 4.9 acre-feet per year, the demand for that grass is about 32,989 gallons. This means that even if the catchment system had a 100% efficiency rate, it could meet only 42% of the turf demand, falling short of meeting this demand by 19,188 gallons annually. That is why it is fair to say that rainwater catchment systems can reasonably and accurately be categorized as not cost effective for individual homeowners. In addition, due to seasonal storm patterns, a larger portion of the precipitation occurs during the monsoon season and in the winter months.

Set forth below is a chart showing the average precipitation by month based upon the historical precipitation for the Wickenburg area versus the irrigation requirements of a typical single family residential unit (assuming a 2,000-square ft roof and a 0.2-acre yard) based upon the Wickenburg Ranch Designation of Adequate Water Supply.

Month	Avg. Precip. (Inches)	Avg. Precip. (feet)	Avg. Irrigation Demand (gallons)	Variance (gallons)
January	1.19	0.099	1,949	-465
February	1.22	0.102	2,664	-1143
March	1.04	0.087	4,483	-3186
April	0.49	0.041	6,692	-6081
May	0.17	0.014	8,251	-8039
June	0.13	0.011	8,316	-8154
July	1.30	0.108	8,706	-7085
August	1.92	0.160	8,251	-5857
September	1.14	0.095	6,237	-4816
October	0.66	0.055	4,678	-3855
November	0.76	0.063	2,794	-1846
December	1.18	0.098	1,819	-348

Based upon the aforementioned, a supplemental irrigation system is required to meet irrigation demand assuming 100% utilization of rainwater for irrigation purposes, which is unrealistic.

Based upon a standard home of 1800 square feet with a roof area of 2,000 square feet and using the formula set forth in the High Desert Rain Catchment L.L.C. quote (see Attachment 4) the average residential home would capture the following rainfall during the year:

Month	Avg. Precip. (inches)	Avg Precip. (feet)	Avg. Rainfall Capture (gallons)	Efficiency
January	1.19	0.099	1,261	85%
February	1.22	0.102	1,293	85%
March	1.04	0.087	1,102	85%
April	0.49	0.041	519	85%
May	0.17	0.014	180	85%
June	0.13	0.011	138	85%
July	1.30	0.108	1,378	85%
August	1.92	0.160	2,035	85%
September	1.14	0.095	1,208	85%
October	0.66	0.055	699	85%
November	0.76	0.063	805	85%
December	1.18	0.098	1,251	85%

Based upon this rainfall capture, the following illustrates the requirement for supplemental irrigation demands using the potable water system:

Month	Avg. Rainfall Capture (gallons)	Irrigation Demand (gallons)	Variance (gallons)
January	1,261	1,949	-688
February	1,293	2,664	-1,371
March	1,102	4,483	-3,381
April	519	6,692	-6,173
May	180	8,251	-8,071
June	138	8,316	-8,178
July	1,378	8,706	-7,328
August	2,035	8,251	-6,216
September	1,208	6,237	-5,029

October	699	4,678	-3,978
November	805	2,794	-1,988
December	1,251	1,819	-569

Based upon the total annual irrigation demand of approximately 64,970 gallons per year per residential home and the average rainfall capture of 12,000 gallons per year per residential home, the average annual irrigation shortfall per home is approximately 52,970 gallons of water per year.

SO 1-2 Referring to p. 4, lines 19-21 of Mr. Glotfelty's testimony, please identify where the Company has addressed or established "that there is sufficient groundwater available to meet the potable water demands at Wickenburg Ranch."

Response: *See* Designation of Adequate Water Supply (DWR No. 700417.0000) (establishing 1,224 acre-feet per year of groundwater is physically, legally, and continuously available to meet the water company's water demand). See Attachment 1.

SO 1-3 Has the Company established there is sufficient groundwater available to meet the total (both potable and non-potable) rate demand at Wickenburg Ranch?

Response: Yes. See Response to SO 1-2. Further, Mr. Glotfelty testified that there is sufficient groundwater available to meet the total (both potable and non-potable) rate demand at Wickenburg Ranch and will do so again at the hearing.

SO 1-4 Referring to p. 2, lines 10-11 of Mr. Brownlee's testimony, please identify the "amended decision" referred to therein.

Response: The decision referred to is Decision No. 70741, as amended by the amendments at the hearing.

SO 1-5 Referring to p. 3, lines 18-21 of Mr. Brownlee's testimony, please provide factual support for the following statement: "To purchase and install rainwater

catchments that will operate well in the arid Wickenburg area will likely cost homeowners approximately $6,000 to $8,000." In you answer, please provide specific support for your cost estimates.

Response: See Attachments 2, 3, and 4.

SO 1-6 Referring to p. 3, lines 27-28 of Mr. Brownlee's testimony, please specifically identify "the other developments in the area" referred to therein.

Response: The other developments in the area include those developments within the Town of Wickenburg and other current and future nearby developments If Wickenburg Ranch is imposing a cost of $31,124.33 per residential unit plus the ongoing cost of maintenance, repair and replacement of the rain catchment systems to its housing cost versus competitive developments, it will impair the success of the project. Wickenburg Ranch is targeted toward active adult residents which mean that it is competing with Sun City, Trilogy and Pebble Creek communities who do not have this condition being imposed on them. In addition, this segment of consumer is very price conscious. In addition, given the limited number of catchment systems in use, if this is requirements home builders will shy away from building within the community due to warranty and legal liability issues. The negative impacts will not only affect the developer of Wickenburg Ranch, but the sales and property tax basis of Yavapai County, the State of Arizona and employment within the construction industry within the State of Arizona.

SO 1-7 Referring to p. 4, lines 7-11 of Mr. Brownlee's testimony, please specifically explain why you believe that rain catchments "cause health and safety concerns due to water stagnation and require significant maintenance in arid climates, which is one reason the systems commonly fall into disrepair." Please specifically explain how "water stagnation" occurs in rain catchment system. Please specifically explain why such systems "require significant maintenance in arid climates," and please specifically describe the kind of maintenance that is required and the cost thereof.

Finally, please specifically identify and explain the health and safety concerns to which you refer.

Response: Based upon our research and discussions with master developer using this type of system, rainwater catchments can cause health and safety concerns due to water stagnation when water is left in storage. Depending upon the type of system used captured water if left exposed is going to attract flies, mosquitoes and bees to the moisture. This can cause serious health concerns, such as those associated with West Nile virus. In addition, an open catchment basin (which is not practical in the desert environment) in a storm or post storm condition will be full of water, which will be a safety hazard for small children. . Water stagnation can occur in rain catchment systems for a number of reasons. For example, submersible pumps are usually fitted with a shutoff switch so when the water levels get too low, the submersible pump will trip off so that it will not fail due to the presence of air. So when water levels are low and no rainfall occurs, the catchment system will hold "dead storage" (i.e. stagnant) water for quite some time. When the system is full due to heavy or continued weather conditions, the systems do not recycle due to lack of irrigation demand. Unfortunately mother nature is not a system which can be regulated so the ability to count of continuous flow through the system is difficult unless supplemented with potable water. Even when mixed with potable water the impurities in the rain water cause algae and other bacterial growth within the irrigation system potentially causing health and maintenance related issues. Water can be collected and left stagnant when people stop using the system or when a residence is vacant.

Catchment systems require significant maintenance in arid climates because problems arise as the pumps and rainwater catchment systems endure drastic changes as their environment changes from wet to dry and from extreme heat to freezing. For example, when a wet pump becomes dry, its seals dry out, crack and must be replaced. The estimated cost to replace a submersible pump is $900. If the pump was not submersible, problems can arise when water is in the system and freezing occurs.

Further, these systems can become clogged for many reasons, such as when screens are not functioning properly or when the water lines leading to the catchment container have dips that fill with sludge and sediments and algae growth within the system. During heavy rain events, water catchment systems cannot hold all of the water. A significant portion of the rain in Wickenburg on a monthly basis comes in one or two storms in a month, limiting the ability of the catchment system to efficiently capture the water..

All types of maintenance are required. Water collections systems must be cleaned routinely so the screens do not become plugged. Cleaning such systems will cost approximately $50 to $100 per occurrence, unless the homeowner does the work themselves. . Pump seals become dry and must routinely be replaced; otherwise, the pump will be damaged and a new pump must be purchased. Some of these tasks may require excavation. Some less-effective and less-durable pumps cost approximately $200 to $500 as replacements, but the vendors recommend pumps that cost approximately $900. Plumbers charge approximately $75 to $100 per hour for the service. Moreover, when roof systems are modified to hold water, they inevitably leak and in turn could result in mold, or other water damage and the potentially lead to lawsuits. Leaking roofs can cost thousands of dollars in repairs.

SO 1-8 Referring to p. 4, lines 14-20 of Mr. Brownlee's testimony, please provide any literature, planning documents, internal memos, or any other communication of any kind that documents the intent to limit landscaping that has a large water requirement.

Response: The Community Design Guidelines will contain language outlining planting requirements to limit landscaping that has a large water requirement. Those Community Design Guidelines have not been completed; however, Wendell Pickett is the person who will draft theses documents and is a witness who will testify to this intent and the staff will have the opportunity to cross examine him on these issues. Additionally, the Community Design Guidelines are enforced through the Covenants Conditions and

Restrictions. The Covenants Conditions and Restrictions are a recorded deed restriction against each individual property within the community.

SO 1-9 Referring to p. 4, lines 23-26 of Mr. Brownlee's testimony, please state how much rainwater a rain catchment system must capture in order to work effectively. Please identify how much rain is expected in the Wickenburg Ranch area.

Response: It depends upon the type of system and irrigation water demand. For example, at a typical residential lot, to operate effectively, a rainwater catchment system must have at a minimum approximately 250 gallons held in storage, for each irrigation cycle. This does not include "dead storage" needed to ensure the submersible pump can operate. In simple terms this would mean that the system has to have a steady flow of 250 gallons per day to be utilized for irrigation purposes on a year around basis. In the months of May (.5" rainfall), June (.1" rainfall) and July (.2" rainfall) it is not practical to think that you will have sufficient rainfall to support irrigation using the system. The typical system has 2500 gallons of storage, in a .1" rainfall the system would collect _____ gallons, this is for the entire month of June. See also Response to SO 1-1.

SO 1-10 Referring to p. 4, lines 26-28 of Mr. Brownlee's testimony, please specifically identify the "maintenance issues with algae growth." Please specifically identify the causes and associated problems with "clogged lines and heads within the irrigation system." Finally, please identify how homeowners would bypass the system and the problems associated with such efforts at bypass.

Response: Algae grow occurs to the impurity in the rain water and in the system and needs to periodically be flushed or removed. This is a process which the normal homeowner is not familiar with and will most likely neglect. Algae growth will cause clogging of the system and screens. The maintenance related issues are burdensome and expensive as compared to a potable irrigation system.

Homeowners can and will bypass the system by using a hose, connecting the irrigation distribution lines to the home's potable water plumbing, or connecting the

catchment system to the potable water system. This could cause serious concerns to the entire community due to backflow issues. DOESN'T EACH HOME HAVE TO HAVE A BACKFLOW PREVENTOR?

SO 1-11 Referring to p. 6, lines 17-20 of Mr. Brownlee's testimony, please provide an estimate of when the Wickenburg Ranch development will be sufficiently built-out to supply the golf course with effluent sufficient to meet all of the golf course's irrigation demand. Please provide a year by year estimate of amount of groundwater that will be displaced by effluent between now and the time when build-out will be sufficient to provide all of the golf course's irrigation needs with effluent.

Response: See Decision No. 70741 at page 7. The Company has already provided the estimated connections from 2008 through 2013 (six years) is as follows:

	2008	2009	2010	2011	2012	2013
New Customers	0	194	350	378	444	414

Internal market analyses confirmed these estimates were reasonable. However, due to project delays, due to economic conditions these estimates will be pushed back another year or two. While this is purely speculative, the Company believes that there will be enough effluent to meet golf course demands within 10 to 15 years from the date that project lot sales begin.

SO 1-12 Referring to p. 2, lines 17-18 of Mr. Pickett's testimony, please specifically describe the "health and safety issues that can arise due to retaining storm water on lots."

Response: See Response to SO 1-7.

SO 1-13 Referring to p. 2, lines 22-23 of Mr. Pickett's testimony, please define an "average golf course in the central Arizona area" as that term is used in your testimony.

Please describe the specific features and/or designs by which the Wickenburg Ranch golf course will use 35% less water than the average golf course in the central Arizona area. Please compare and contrast the water usage of an "average golf course in the central Arizona area" with the anticipated water usage of the Wickenburg Ranch golf course.

Response: An average golf course in central Arizona has 90 acres of turf, a small lake, and other low water demand vegetation. The Wickenburg Ranch golf course will have 64 turf acres, which is about 27% less turf. Turf limits are delineated in a very efficient manner in sprinkler head spacing and sprinkler delivery to gain the overall 35% water reduction in comparison to typical Central Arizona golf courses. The estimated water demand for the golf course is 284 acre-feet per year.

SO 1-14 Referring to p. 3, lines 8-16 of Mr. Pickett's testimony, please state whether it is the Company's conclusion that "ponding catchment" systems are not suitable for the Wickenburg Ranch development. Please specifically explain the reasoning underlying the Company's conclusion as specifically related to Wickenburg Ranch.

Response: Pond catchment systems are not suitable for Wickenburg Ranch. Setting aside the health and safety concerns, the project consists of small lots for an age-targeted, second home market and is zoned accordingly. The project lots relative to that market do not have room for pond catchments. The project density will not readily accommodate either pond catchment basins or containers in those lot sizes.

SO 1-15 Referring to p. 4, line 17 of Mr. Pickett's testimony, please specifically explain why you believe that "container systems are not cost effective." Please provide cost estimates to explain your answer.

Response: See Responses to SO 1-1 and 1-5.

SO 1-16 Referring to p. 4, lines 23-27 of Mr. Pickett's testimony, please identify and provide the specific information relied upon by Mr. Pickett when he formed the opinion

that, in Santa Fe and Tucson, "the general consensus is that they (rain catchments) did not work well and the public opinion of these systems was negative."

Response: Mr. Pickett states: "I have formed my opinion based on having clients in Santa Fe, Central New Mexico and Tucson areas, who are either currently dealing with zoning issues related to catchment basins or dealing with jurisdictions who are considering them. All feel they are an unreasonable expense and they are not a useful tool."

SO 1-17 Referring to Mr. Platts' testimony, please provide a copy of his resume, including a description of his educational background and professional qualifications and experience.

Response: Mr. Platt is being offered as a lay witness and not an expert. So, Mr. Platt's profession and educational background is not relevant. Nevertheless, Mr. Platt received a high school diploma from Lyman High School in Lyman Wyoming. Professionally, Mr. Platt worked in the oil and gas industry for many years and is now retired. He now buys and sells property for income. Mr. Platt does not have a resume.

SO 1-18 Referring to p. 2, lines 5-11 of Mr. Platts' testimony, please identify every specific fact, analysis, conversation, document, or communication of any kind that he has relied upon in reaching the conclusions set forth therein.

Response: This question is overly-broad and Mr. Platt and Wickenburg Ranch reserve the right to supplement this answer. The following response consists of certain material and relevant communications that Mr. Platt has relied upon. To form his opinion, Mr. Platt is relying upon conversations that took place with P.E. Davin Benner and Tom Worley. He has also been informed by M3 company representatives that the cost of water catchment systems to be installed will cost approximately $6,000 per home. Mr.

Platt has reviewed the witness testimony offered by Marvin Glotfelty, Peter Chan, Wendell Pickett, Bill Brownlee and Steve Olea.

DATED June 8, 2009.

MOYES SELLERS & SIMS, LTD.

Steve Wene
Attorneys for Wickenburg Ranch Water

Original and **thirteen** copies
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ATTACHMENT 1

ARIZONA DEPARTMENT OF WATER RESOURCES

Office of Assured and Adequate Water Supply

3550 North Central Ave., 2nd Floor, Phoenix, Arizona 85012
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Fax 602 771-8689

February 11, 2008

CDC Wickenburg Water, LLC
Jason Rowley, Esq.
1550 E. Missouri Ave. Ste. 300
Phoenix, AZ 85014

Re: Designation of Adequate Water Supply (DWR No. 40-700417.0000) CDC Wickenburg Water, LLC

Dear Mr. Rowley:

I am pleased to inform you that the Department of Water Resources has approved the application for a Designation of Adequate Water Supply for CDC Wickenburg Water. We have enclosed the formal Decision and Order. The Decision and Order includes an itemization of CDC Wickenburg Water's responsibilities in maintaining the Designation.

CDC Wickenburg Water's status as a designated water provider demonstrates that CDC Wickenburg Water is taking a long-term perspective in managing water resources. CDC Wickenburg Water's commitment to long term planning represents a major contribution to the State's water management goal.

If you have any questions regarding these documents, please contact me at (602) 771-8585.

Sincerely,

John Schneeman, Manager
Office of Assured & Adequate Water Supply

JS/rbo

cc: Mr. Roy Tanney, Arizona Department of Real Estate
Steve Corell, Clear Creek Associates

DEPARTMENT OF WATER RESOURCES

BEFORE THE DIRECTOR

IN THE MATTER OF THE APPLICATION OF CDC WICKENBURG WATER, LLC FOR A DESIGNATION AS HAVING AN ADEQUATE WATER SUPPLY	**AWS No. 2007-009** **DECISION AND ORDER** **No. 40-700417.0000**

I. INTRODUCTION

On September 25, 2007, the Department of Water Resources (Department) received an application from CDC Wickenburg Water, LLC (CDC Water) requesting that the Department designate CDC Water as having an adequate water supply pursuant to A.R.S. § 45-108 and A.A.C. R12-15-714.

After receiving CDC Water's application for a designation of adequate water supply, the Department reviewed relevant information regarding the designation request, including: 1) the hydrologic information on file with the Department for the proposed source of groundwater supply; and 2) information regarding CDC Water's financial capability to construct the necessary delivery system, treatment works and storage facilities. Based on that information, the Department makes the following Findings of Fact, Conclusions of Law, and Order of Designation and Conditions of Designation:

II. FINDINGS OF FACT

A. General

1. CDC Water is a private water company, subject to the jurisdiction of the Arizona Corporation Commission (ACC).
2. CDC Water provides water service within the territorial boundaries of its certificate of convenience and necessity (CC&N), as approved by the ACC.
3. CDC Water currently serves water through its distribution system to its customers.

B. Water Demands

4. CDC Water's current demand as of calendar year 2006 is 278.44 acre-feet per year (current demand).

5. CDC Water's committed demand as of calendar year 2006 is 0.00 acre-feet per year (committed demand).

6. CDC Water's projected demand in 2013, the sixth calendar year from the date of application, is 945.54 acre-feet (2013 projected demand). The 2013 projected demand does not include the current demand or the committed demand, but does include the annual demand at build-out of plats reasonably projected to be approved and customers reasonably projected to be added through calendar year 2013.

7. CDC Water's annual estimated water demand in 2013, which is the sum of its current demand, committed demand, and 2013 projected demand, is 1224.00 acre-feet per year.

C. Groundwater: Physical, Continuous and Legal Availability

8. CDC Water has the right to withdraw and deliver groundwater to its customers pursuant to A.R.S. § 45-453.

9. Historic hydrologic information demonstrates that depth-to-static water levels within the CDC Water service area currently average 425 feet below land surface.

10. CDC Water has demonstrated that after withdrawing 1224.00 acre-feet per year of groundwater for 100 years, the depth-to-static water level within CDC Water's service area is not expected to exceed 1200 feet below land surface.

11. CDC Water has demonstrated that it has wells of sufficient capacity to satisfy its annual estimated groundwater demand of 1224.00 acre-feet per year for at least 100 years.

D. Water Quality

12. CDC Water will be regulated by the Arizona Department of Environmental Quality as a public water system pursuant to A.R.S. §§ 49-351, et seq.

E. Financial Capability

13. On June 29, 2007, a "Water Facilities Extension Agreement" (Agreement) was executed between CDC Water and JVT Investors, LLC, an Arizona limited liability company (JVT). The Agreement states that JVT shall fund construction of water system improvements *including: distribution lines,* wells, storage tanks, and booster stations to support water service by CDC Water in the existing CC&N. Upon completion of construction, said improvements shall become the sole property of CDC Water.

14. CDC Water has demonstrated capability for financing the construction of adequate delivery, storage, production and treatment works through the Agreement.

III. CONCLUSIONS OF LAW

Having reviewed the Findings of Fact, the Department makes the following Conclusions of Law:

1. CDC Water has demonstrated that 1224.00 acre-feet per year of groundwater will be physically available, continuously available and legally available for at least 100 years, which is sufficient to meet its annual estimated water demand in 2013, of 1224.00 acre-feet per year. See A.A.C. R12-15-716, R12-15-717 and R12-15-718.

2. The water supply served by CDC Water will be of adequate quality pursuant to A.A.C. R12-15-719.

3. CDC Water has satisfied the financial capability criteria prescribed in A.A.C. R12-15-720.

4. CDC Water has satisfied all the requirements for a designation of an adequate water supply.

IV. ORDER OF DESIGNATION AND CONDITIONS OF DESIGNATION

Having reviewed the Findings of Fact and Conclusions of Law, the Director hereby issues this Decision and Order designating CDC Water as having an adequate water supply, subject to the following conditions:

1. The Director reserves the right under A.A.C. R12-15-715(C) to periodically review and modify the designation for good cause as conditions warrant.

2. Pursuant to A.A.C. R12-15-715, the Director may revoke this designation at any time if the findings of fact or the conclusions of law upon which the designation is based change or are invalid, or if an adequate water supply no longer exists.

3. The Director's determination that an adequate water supply exists for CDC Water is based on its review of the water supply pledged by CDC Water.

4. CDC Water shall submit an application to modify this decision and order designating CDC Water as having an adequate water supply to increase the term of the designation when the sum of CDC Water's current demand, committed demand and two-year projected demand exceeds 1224.00 acre-feet, or by January 1, 2012, whichever is earlier.

5. Pursuant to A.A.C. R12-15-719, CDC Water shall satisfy any state water quality requirements established for its proposed use after the date of this designation.

6. CDC Water shall annually provide to the Department the following information in the manner prescribed in A.A.C. R12-15-715:

   a. The projected demand at build-out for customers with which CDC Water has entered into a notice of intent to serve agreement in the calendar year.

   b. An estimate of the demand of platted, undeveloped lots located in CDC Water's service area.

   c. A report regarding CDC Water's compliance with water quality requirements.

   d. The depth-to-static water level of all wells from which CDC Water withdrew water during the calendar year.

   e. The total quantity of water from any source, withdrawn, diverted, or received by CDC Water for its customers' residential and non-residential use during the previous calendar year.

f. Any other information requested by the Director to determine whether CDC Water is continuing to meet all the requirements necessary to maintain this designation of adequate water supply.

IT IS HEREBY ORDERED THAT CDC WICKENBURG WATER, LLC BE DESIGNATED AS HAVING AN ADEQUATE WATER SUPPLY UNTIL DECEMBER 31, 2013.

DATED this 11th day of FEBRUARY 2008.

for
Herbert R. Guenther
Director
Arizona Department of Water Resources

A copy of the foregoing **Decision and Order** mailed by certified mail this 11th day of February, 2008, to the following:

Certified Mail No. 7006 2760 0002 4985 0230

Sent by: R. Obenshain
Rick Obenshain

CDC Wickenburg Water, LLC
c/o Jason C. Rowley, Esq.
1550 E. Missouri, Suite 300
Phoenix, AZ 85014

First class mail copies to:

Mr. Roy Tanney
Director of Real Estate Subdivisions
Arizona Department of Real Estate
2910 N. 44th Street
Phoenix, Arizona 85018

Steven W. Corell
Clear Creek Associates
6155 E. Indian School Rd.
Suite 200
Scottsdale, Arizona 85251

ATTACHMENT 2

m3companies

4222 E Camelback Road
Suite H100
Phoenix AZ. 85018
Phone 602.386.1325
Fax 866.849.1245

M3 Memorandum

To: Bill Brownlee

From: Tom Warley

Date: May 13, 2009

Re: Summary of Teleconference with Isaac Pino Regarding Rain Catchments

---

On Monday, May 11 I had a telephone conversation with Ike Pino, SunCor's Santa Fe, NM General Manager, regarding the installation, operation and maintenance of residential rain catchments.

In regards to the installation of rain catchment systems, the costs are extremely high, averaging approximately $6000 per unit. That cost includes the cistern, submersible pump and electronics to operate the system. Amortizing that cost in a 30-year loan at 5.5% interest would cost the homeowner $31,124.33. Not included in the $6000 per unit cost are the drainage modifications to the house itself. There are two methods to collect the storm water runoff from the roof. The first method is to tilt the roof in one direction so the water ponds in a central location, then drains into down spouts connected to the cistern. Structural modifications to the roof are required due to the additional load imposed by the ponding water because the water must be held on the roof to allow it time to drain into the cistern instead of running off the roof immediately. The second method is to connect every down spout from the roof to an underground piping system that runs to the cistern. Piping the down spouts from the front of the house to the rear where the cistern is located can create grading problems or excessively deep pipes. The deep pipes are the result of having to insure there is adequate fall from the front of the house to the rear to drain the pipes so water does not stagnate in the pipes.

Operationally, the rain catchment systems are extremely inefficient. In dry climates like Wickenburg, they are only full when it is raining, which is not a regular occurrence. As a result, after the first watering, the cistern is empty until the next rain storm; therefore a supplemental irrigation system is required to water lawns and plant material between rain storms. Also, rain catchments are not large enough to store huge volumes of water. Residential cisterns are sized to hold between 500 to 2500 gallons. Typically, they will hold enough water for one irrigation cycle. As a result, during monsoon season when there are more frequent storms and the irrigation system is shut off, home owners will not capture the excess rain water. It will simply run to its natural discharge point. In Ike's experience, most residents will use a hose to fill their cistern between storms so their yard is irrigated. More water conservation is achieved by installing an

m3companies

4222 E Camelback Road
Suite H100
Phoenix AZ. 85018
Phone 602.386.1325
Fax 866.849.1245

irrigation system with moisture monitoring capabilities that automatically turns off the irrigation system during rain events then by attempting to capture water with a catchment system.

There are maintenance problems associated with rain catchment systems also. First, the submersible pumps are made to operate in a wet environment. Given the infrequency of rain storms, the pump seals typically dry out and must be replaced on a regular basis. If the pump is operated with cracked, dried out seals, they will fail and must be replaced. Also from SunCor's experience, when roof systems are modified to hold water as outlined in the first paragraph, they inevitably leak. Leaking roofs in turn cause mold and the mold will lead to lawsuits.

Based on the issues outlined above, SunCor has discontinued the installation of rain catchment systems.

ATTACHMENT 3

Growing Better Heads Up
LANDSCAPE CONTRACTORS

PROPOSAL

6/5/2009

Wickenburg Ranch Water Company
William I. Brownlee, Manager, the M3 Companies
4350 E. Camelback Road
Suite E260
Phoenix, Arizona 85018

Re: On Lot Cisterns (rainwater catchment)

Dear William:

SCOPE OF WORK

Heads Up will provide cisterns per our plan dated 4-2-07 at the above referenced project as follows, to include:

- 1 pump – Tsurumi TS215V per house.
- Provide and place all electrical work associated with cistern. Mounted outside.
- All backfill at cistern to be water tamped to prevent settling.
- Pump to be place in protective boxes model # 1730-18. Place on concrete.
- Provide and place 9" square grates with catch basin at each down spout.
- Provide and place 1 – 100 Micron spin filter.
- Provide and place 1 – RMI 600 gallon below ground approximately 10" with manhole for accessibility.
- Down spouts to receive 2"-4" cobble to a depth of 4" and approximately 4' x 5'.
- Provide and place pvc liner at all down spouts.
- Provide and place S & D 4" drain pipe.
- Provide and place 4" Wye line filter.
- Provide and place pump start relay.
- Provide and place electrical float switch.
- Provide and place 6" sand base under cistern.

Note: System designed for 10 GPM at 40 PSI static.

CONTRACT PRICE

$6,000.00 plus tax (Per cistern). (This price is for a local company to do the install).

Note: This price assumes we can spread dirt across yard. This does not include hauling off dirt or dump fees from removals.

Note: This price does not include make up water to auto fill tank from potable water system.

In addition to design/build, Heads Up also offers Grounds Management services in order to more completely serve our clients. We offer those design/build customers an extended warranty of an additional year beyond our one year construction warranty when they contract with us for a yearly maintenance contract. Heads Up feels strongly that by maintaining the landscape we have installed, it insures you the customer long term quality in your landscape.

PAYMENT TERMS

Progress billings on the 25th, net due the following 10th.

TERMS AND CONDITIONS

This quotation is firm for 30 days and change in plans or scope may result in a change in price. Prices are subject to change.

TIME AND MATERIAL

$85.00 per hour for Equipment and Operator
$33.00 per man-hour for Labor

EXCLUSIONS

Tax, bond, responsibility for tire marks on asphalt or concrete, responsibility for drainage or damage to unmarked utilities, grading, other removals, maintenance, and access to area.

GRADES

Grades assumed to be plus or minus .10 feet to subgrade at commencement unless otherwise noted in this proposal.

Additional grading required to bring grades to tolerances noted above will be charged as an extra cost at the rate of $85.00 per hour for equipment and operator and $33.00 per man-hour for labor.

MOBILIZATION

One move-on for irrigation sleeving and one move-on for balance of work quoted. Additional move-ons will be charged at $1,250.00 each.

GUARANTEES

All work will be done in a workmanlike manner and premises left broom clean.

Heads Up shall repair or replace any part of the construction work performed by Heads Up, including the irrigation system, in which a defect in material or workmanship appears within one year from the date of final invoice and which, within such one-year period, is brought to the attention of Heads Up.

Guarantee is contingent upon proper maintenance by Owner. Heads Up will provide recommended maintenance procedures.

Under no circumstances will Heads Up be liable for any consequential or incidental damages resulting from any defect in materials or workmanship or from the performance or non-performance of the work proposed herein.

COMPLETION DATE

Estimated time required to complete job is approximately 3 working days per cistern.

If the Parties are unable to resolve any dispute within fifteen (15) calendar days of the occurrence of the event or circumstances giving rise to the dispute, the dispute may be submitted to mediation upon the mutual agreement of the Parties. In the event the Parties do not agree to mediate the dispute or are unable to resolve the dispute through mediation, then the dispute shall be resolved by binding arbitration. Such arbitration shall be governed by the New Mexico Uniform Arbitration Act, NMSA 1978 § 44-7A-1, et seq. as amended. A Party submitting a dispute to arbitration shall give the other Party a timely Demand for Arbitration and such Demand for Arbitration shall describe the nature of the dispute and the amount in controversy. The Parties shall then jointly select an Arbitrator and, failing such mutual agreement, the Arbitrator shall be appointed by a District Court Judge from Bernalillo County New Mexico. The arbitration shall be held in Albuquerque, New Mexico. Discovery shall be by agreement of the Parties or as ordered by the Arbitrator, provided that the Parties shall comply with the following minimum discovery requirements: at least twenty (20) calendar days prior to the arbitration, the Parties shall exchange an exhibit list, copies of all exhibits to be used at the arbitration, a list of witnesses and a summary of the matters as to which each witness is expected to testify. The Parties shall split all costs and fees of the mediator and Arbitrator. The Parties shall each be responsible for their own costs, expert fees and attorney fees in any mediation or arbitration, except that the Arbitrator may award costs and attorney fees to a successful lien claimant in his or her discretion pursuant to NMSA 1978 Section 48-2-14 as amended. This agreement to arbitrate shall be specifically enforceable under the prevailing arbitration law of the State of New Mexico.

The costs of any additional overtime wages, week-end work, work out of sequence, or other expenses incurred due to failure of the Owner/General Contractor to properly schedule Heads Up within above time frame will be reimbursed to Heads Up by the Owner/General Contractor.

Notice: Neither the Contractor's License Bond or the license issued under 60-13-19 of the Construction Industries Licensing Act protects the consumer if the contractor defaults on this contract.

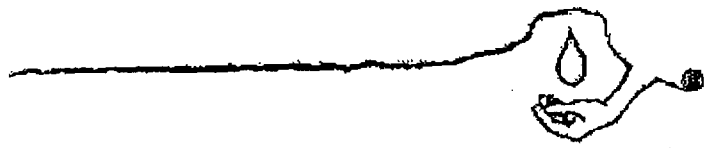
SIGNATURE

Submitted by: _____ Date: _____

Eddie Padilla
Heads Up Landscape Contractors Inc.
P.O. Box 10597
Albuquerque, New Mexico 87174-0597
Telephone: 505-898-9615
Fax: 505-898-2105

Approved By: _____ Date: _____

ATTACHMENT 4



High Desert Rain Catchment, LLC
PO Box 13008
Prescott, Arizona 86304
(928) 308-5992 Email: highdesertrain@gmail.com

Attention: Marvin Glotfelty

Ph- (480) 659 - 7131
Fax- (480) 659 – 7143

Here are some Ball Park numbers for you- The cost on these numbers can range greatly due to site conditions & tank size. In the design of any system we start out this a water budget to size the system for the home.

High Desert Rain Catchment- Specializes in Rainwater Harvesting & Greywater Systems. Through the use of these systems it is possible to create a lush oasis landscape in the desert without the need for supplemental water from municipal or well water sources.

High Desert Rain Catchment- Our Average installed Price per Gallon is $2.25 / gallon of storage capacity for a simple feed gravity system. This is adequate for most home gardens.

The next step up from a simple gravity feed system would be a Rainwater Harvesting system inter-tied to the irrigation system. Approximate cost is $2.40 / gallon of storage capacity. This allows a homeowner to use all the existing irrigation controllers and systems & integrates a rainwater system in a way the homeowner has to do nothing but set the irrigation controls as normal.

Every drop counts so we don't discourage capturing rainwater no matter how small the amount is. However the average system size for residential irrigation use is about 2,600. The approximate payback time on such a system is 7 to 10 years (depending on water cost and landscape needs).

2,600 gallon Gravity Feed System	$5,850
2,600 gallon Irrigation Inter-tie Rain Harvesting System	$6,240

Calculating Roof water Runoff

(Roof Surface Area) x Rainfall (ft.) x 7.48 gallons^{3R} x .85 = Total net Runoff

ORIGINAL

EXHIBIT S-1 ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

2009 MAY 27 P 4: 09

AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC (FORMERLY CDC WICKENBURG WATER, LLC) FOR APPROVAL OF A RATE ADJUSTMENT.	DOCKET NO. W-03994A-07-0657 **NOTICE OF FILING STAFF'S REBUTTAL TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Rebuttal Testimony of Steven M. Olea of the Utilities Division in the above-referenced matter.

RESPECTFULLY SUBMITTED this 27th day of May, 2009.

Kevin O. Torrey, Attorney
Janet Wagner, Attorney
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007
(602) 542-3402

Arizona Corporation Commission
DOCKETED
MAY 27 2009
DOCKETED BY

Original and thirteen (13) copies of the foregoing were filed this 27th day of May, 2009 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85008

Copy of the foregoing mailed this
27th day of May, 2009 to:

Steve Wene, Esq.
Moyes Storey Law Offices
1850 North Central Avenue, Suite 1100
Phoenix, Arizona 85004

David Green
Wickenburg Ranch Water, LLC
c/o M3 Builders
4222 East Camelback, H100
Phoenix, Arizona 86018

Ashley Hodge

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, FOR A RATE ADJUSTMENT	DOCKET NO. W-03994A-07-0657

DIRECT

TESTIMONY

OF

STEVEN M. OLEA

ASSISTANT DIRECTOR

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MAY 27, 2009

TABLE OF CONTENTS

INTRODUCTION

Q. Please state your name and business address.

A. Steven M. Olea, 1200 West Washington, Phoenix, Arizona, 85007.

Q. By whom and in what capacity are you employed?

A. I am employed by the Arizona Corporation Commission ("Commission") as the Assistant Director for the Utilities Division ("Division").

Q. Please state your educational background.

A. I graduated from Arizona State University ("ASU") in 1976 with a Bachelors Degree in Civil Engineering. From 1976 to 1978, I obtained 47 graduate hours of credit in Environmental Engineering at ASU.

Q. Please state your pertinent work experience.

A. From April 1978 to October 1978, I worked for the Engineering Services Section of the Bureau of Air Quality Control in the Arizona Department of Health Services ("ADHS"). My responsibilities were to inspect air pollution sources to determine compliance with ADHS rules and regulations.

From November 1978 to July 1982, I was assigned to the Technical Review Unit of the Bureau of Water Quality Control ("BWQC") in ADHS (this is now part of the Arizona Department of Environmental Quality ["ADEQ"]). My responsibilities were to review water and wastewater construction plans for compliance with ADHS rules, regulations, and Engineering Bulletins.

From July 1982 to August 1983, I was assigned to the Central Regional Office, BWQC, ADHS. My responsibilities were to conduct construction inspections of water and wastewater facilities to determine compliance with plans approved by the Technical Review Unit. I also performed routine operation and maintenance inspections to determine compliance with ADHS rules and regulations, and compliance with United States Environmental Protection Agency requirements.

From August 1983 to August 1986, I was a Utilities Consultant/Water-Wastewater Engineer with the Division. My responsibilities were to provide engineering analyses of Commission regulated water and wastewater utilities for rate cases, financing cases, and consumer complaint cases. I also provided testimony at hearings for those cases.

From August 1986 to August 1990, I was the Engineering Supervisor for the Division. My primary responsibility was to oversee the activities of the Engineering Section, which included one technician and eight Utilities Consultants. The Utilities Consultants included one Telecommunications Engineer, three Electrical Engineers, and four Water-Wastewater Engineers. I also assisted the Chief Engineer and performed some of the same tasks that I had performed as a Utilities Consultant.

In August 1990, I was promoted to the position of Chief Engineer. My duties were somewhat the same as when I was the Engineering Supervisor, except that I was less involved with the day-to-day supervision of the Engineering Staff and more involved with the administrative and policy aspects of the Engineering Section.

In April 2000, I was promoted to my present position as one of two Assistant Directors of the Division. In this position, I assist the Division Director in the policy aspects of the Division. I am primarily responsible for matters dealing with water and energy.

PURPOSE

Q. What was your assignment in this case?

A. To provide the Utilities Division Staff's ("Staff") response to the testimony filed by Wickenburg Ranch Water, LLC ("Wickenburg Ranch" or "Company").

Q. What is the purpose of this prefiled testimony?

A. In providing Staff's response to the Company's testimony, this testimony will discuss why Staff believes it is in the public interest for Wickenburg Ranch to adopt a proactive water conservation program.

Q. Would you please summarize your testimony?

A. Commission Decision No. 70741 prohibits the Company from using groundwater in ornamental lakes and water features or to irrigate the golf course. Staff believes that this is a reasonable requirement since it will conserve groundwater use by the Company, may delay the need for acquiring additional wells, and will provide energy and O&M expense savings related to the Company's pumps and other equipment. In addition, the Company has already stated that it does not plan to sell groundwater to the golf course for irrigation purposes.

Commission Decision No. 70741 also requires the Company to implement at least ten (10) Best Management Practices ("BMPs"). Staff believes that this is a reasonable requirement because these BMPs will promote the efficient use of groundwater through conservation. The Company should be required to provide further detail and explanation as to exactly how

it will implement those BMPs that it has chosen. The Company should also be required to submit proposed tariffs for any of those BMPs that would impose requirements and or charges/fees on customers, or require the Company to provide rebates/payments to customers.

Commission Decision No. 70741 requires the Company to propose tariffs for implementing low-water-use landscaping and rainwater catchment as conditions of service. Staff believes that this is a reasonable requirement because this too will promote the efficient use of groundwater through conservation. With regard to proposed tariffs for low-water-use landscaping and rainwater catchment systems as conditions of service, the Company should be required to submit such proposed tariffs along with as much detail as possible to allow the Commission to fully consider such proposals to determine whether or not they are practical and cost-efficient.

Finally, Commission Decision No. 70741 requires the Company to work with the wastewater provider to obtain effluent for the golf course, etc. This requirement is reasonable because the use of effluent will also conserve groundwater in the area, which will have a beneficial effect on both the efficiency of the Company's plant and system and the quality of service that the Company's ratepayers experience. In addition, it appears that the Company already plans to use effluent to irrigate the golf course.

BACKGROUND

Q. When was Wickenburg Ranch first certificated as a public service corporation?

A. November 22, 1972. Please see footnote #1, page 4, Decision No. 70741.

Q. Has the Company ever had any customers?

A. No. Please see Finding of Fact No. 2, page 4, Decision No. 70741.

Q. Please describe how Staff approached the Company's rate increase application in this docket.

A. Because the Company had no customers and no existing plant that would be used for the planned development (Finding of Fact No. 3, page 4, Decision No. 70741), and because the original rates for Wickenburg Ranch had been established with its original Certificate of Convenience and Necessity ("CC&N") (Finding of Fact No. 1, page 4, Decision No. 70741), Staff approached this rate application as if it were a new CC&N application for ratemaking purposes. If Staff had analyzed this rate application as a typical rate application, Staff probably would have recommended no rate increase or may have even found the application to be insufficient due to lack of actual operating data.

Q. So are you saying that this was an unusual rate application?

A. Exactly. I do not recall ever seeing a rate increase application for a company that had been certificated for approximately 35 years, where the company had no plant and no customers. That is why, for rate setting purposes, Staff basically treated Wickenburg Ranch as a start-up company.

CONSERVATION BEST MANAGEMENT PRACTICES

Q. Are there reasons why groundwater conservation programs would be appropriate for efficient operation of a water system?

A. Groundwater in Arizona is a precious resource that should be handled as such. The wasteful or inefficient use of groundwater could result in higher operational costs due to increased wear and tear on equipment and additional energy costs. It could also result in the need to

develop additional wells sooner than would otherwise be necessary or that might not be necessary at all to keep up with demand. In addition, if a company needs to move larger quantities of water throughout its system because of higher demand, that could result in the company having to put in larger and more expensive infrastructure to accomplish this. The costs of additional plant as well as the associated expenses are ultimately borne by ratepayers in higher rates. For these reasons, appropriate conservation programs are desirable from an operational perspective.

Q. Company witness Peter Chan states that he knows of no other water company that has been required to adopt best management practices by the Commission. Do you agree with this statement?

A. No, two examples of where the Commission has required BMPs for water companies are Perkins Mountain and Double Diamond.

There are also instances in which water companies have voluntarily proposed conservation measures as part of their overall business plans. For example, the Global Water entities have voluntarily adopted various conservation measures. This example demonstrates an acknowledgement of the cost savings and operational efficiencies that conservation measures have the potential to produce.

These examples illustrate a developing trend before the Commission. In light of these relatively recent developments, it is reasonable for the Commission to consider the imposition of conservation measures.

Q. Company witness Marvin Glotfelty states that the Arizona Department of Water Resources ("ADWR") has determined that the Company "has demonstrated that groundwater of adequate quantity and quality is physically, legally, and continuously available to meet the projected demand for 100 years." Do you agree with this statement?

A. Not exactly, based on the information that I have. I have a copy of a letter from ADWR dated February 11, 2008. Attached to the letter is an ADWR Decision and Order (dated February 11, 2008) stating that CDC Wickenburg Water, LLC ("CDC") has demonstrated a groundwater availability of 1,224.00 acre-feet for at least 100 years. I have not seen anything issued by ADWR to Wickenburg Ranch. In speaking with the ADWR, they have stated that CDC should have notified ADWR regarding the name change to Wickenburg Ranch. Upon such notification, ADWR would have reviewed the information to make sure that all the pertinent information had not changed. If the pertinent information had not changed, then ADWR would have issued a new Decision and Order to Wickenburg Ranch Water, LLC. However, having said that, if all the pertinent information for CDC is still valid for Wickenburg Ranch, then the Company should have 1,224.00 acre-feet of groundwater available for at least 100 years. This, together with the information contained in Finding of Fact No. 14, Decision No. 70741, demonstrates that Wickenburg Ranch should have adequate water available for its development for 100 years.

Q. If the Company has demonstrated a 100-year adequate groundwater supply, why does Staff believe that a groundwater conservation program is in the public interest for Wickenburg Ranch?

A. Two primary reasons. First, just because the Company has demonstrated that it currently has enough groundwater for 100 years does not mean that it should not treat it as a precious commodity, i.e., preserve it and conserve it whenever possible. Second, the Order and

Decision issued by ADWR does not state that this 100-year adequate groundwater supply is absolute. The Order and Decision states (among other things) that

1. ADWR may "periodically review and modify the designation for good cause as conditions warrant", and

2. ADWR may "revoke this designation at any time if the findings of fact or the conclusions of law upon which this designation is based change or are invalid, or if an adequate water supply no longer exists."

Q. In Decision No. 70741, the Commission imposed several groundwater conservation-related requirements on the Company. The first such requirement prohibits Wickenburg Ranch from selling groundwater to any customer for the purpose of irrigating any golf courses, filling ornamental lakes, or for use in water features within the CC&N. This requirement is contained on Page 20, beginning at line 17, of the Decision. What is Staff's opinion regarding this requirement?

A. The restriction prohibiting the use of groundwater for golf courses is basically a reiteration of what the Company plans on doing anyway. According to Finding of Fact No. 16 on Page 7 of Decision No. 70741, Wickenburg Ranch is not planning to supply groundwater to the golf course. The golf course will initially be irrigated using its own wells; later, it will use effluent, as effluent becomes available.

With regard to the prohibition on using groundwater for ornamental lakes and water features, I do not know whether these features are planned for this development; if they were planned, this prohibition would have the effect of conserving the Company's use of groundwater, decreasing the Company's energy use, and decreasing the wear and tear on the Company's pumps.

Q. The second groundwater conservation related requirement begins at line 22 on Page 20 of Decision No. 70741. This ordering paragraph requires the Company to implement at least ten (10) BMPs and submit those to Docket Control. Only one of those BMPs could come from the Public Awareness/PR or Education and Training categories of BMPs. Please explain what BMPs are.

A. The BMPs are a list of water conservation measures that were developed by ADWR, through a stakeholder process, as part of ADWR's modification to its Third Management Plan. The BMPs are part of ADWR's Modified Non-Per Capita Conservation Program ("Modified NPCCP").

Q. Are all water systems throughout the State required to comply with the Modified NPCCP?

A. No, the Modified NPCCP applies only within ADWR's Active Management Areas ("AMAs"). Those systems inside the AMAs that are required to participate in the Modified NPCCP are all large municipal providers (cities, towns, and private water companies serving more than 250 acre-feet of ground water per year) that do not have a Designation of Assured Water Supply and that are not regulated as a large untreated water provider or an institutional provider. Water providers outside the AMAs are not required by ADWR to participate in the program or to implement any BMPs.

Q. Are water providers outside the AMAs prohibited from implementing BMPs as listed in ADWR's Modified NPCCP?

A. No.

Q. For those water providers inside the AMAs that participate in the Modified NPCCP, how many BMPs are they required to implement?

A. It varies by size of system. All systems must implement a basic water conservation education program. Those systems which have up to 5,000 connections must implement at least one (1) additional BMP; for those which have from 5,001 to 30,000 connections, five (5) additional BMPs must be implemented; and for those which have over 30,000 connections, ten (10) additional BMPs must be implemented.

Q. Has the Company complied with the ordering paragraph requiring the implementation of the ten (10) BMPs?

A. Not completely. On May 11, 2009, the Company filed a list of the ten (10) BMPs that it plans on implementing within its CC&N; however, the Company did not explain or discuss how it would implement these BMPs. For example, the Company chose BMP #6.8 – Water Harvesting Retrofit Rebate/Incentive. In order for the Company to implement this BMP, it should submit a detailed explanation of how the Company plans on administering this program along with an appropriate tariff for Commission review and approval. The proposed tariff filing should discuss the associated costs of the program and any implications for the Company's rates.

Q. Company witness Peter Chan states that implementing ten (10) Best Management Practices is impractical for a new or small water company. Do you agree with this statement?

A. No, because it all depends on the ten BMPs that are chosen. For example, two of the BMPs available are #6.2 – High Efficiency Toilet Rebate and #6.9 – Landscape Conversion. These two would be impractical for a new company, since all the toilets and landscaping to be

installed should already be water efficient, i.e., toilets would not have to be removed and retrofitted, and landscaping would not have to be converted.

I would not necessarily disagree with Mr. Chan's statement that a small water company may not be able to afford rebates or conservation research in the absence of specific rate relief; however, Wickenburg Ranch seems to disagree with Mr. Chan. The reason I say this is because, as I discussed above, the Company has submitted a list of the 10 BMPs that it plans to implement, including a rebate program and another program that would support the development of new technologies and products. If Wickenburg Ranch believes that it cannot afford to implement rebates or to support the development of new technologies, then it is unclear why the Company has proposed to implement these particular BMPs without requesting specific rate relief.

Of the ten BMPs submitted by Wickenburg Ranch, there are three that may be questionable as to their appropriateness for the Company: #6.8 – Water Harvesting Retrofit Rebate/Incentive, #7.5 -- Implementation of Smart Irrigation technology, and #7.7 – Providing Financial Support or In-kind Services for Development of New Conservation Technologies and Products. However, once the Company submits its planned method of implementation for these three BMPs, they may prove to be totally practical and cost effective for Wickenburg Ranch. It is Staff's opinion that the other seven BMPs proposed by Wickenburg Ranch are reasonable for a new water company.

Q. If the three BMPs that you identified as questionable do not prove to be appropriate for Wickenburg Ranch, are there other BMPs that Staff believes the Company could choose to come into compliance with Decision No. 70741?

A. Yes, such as, but not limited to, #3.3 – Water Budgeting Program, #5.1 - Low Water Use Landscaping Requirements for Residential, Multi-family, Non-residential, and/or Common Areas (this would also comply with another portion of Decision No. 70741 as discussed below), #5.2 - Water Tampering/Water Waste Ordinances, #5.3 - Plumbing Code Requirements, and others.

Q. Company witness Chan states that, "[u]nlike a city, town or county, a water company does not have the legal authority to require its private customers to make most of the improvements suggested in Category 5." Several of the BMPs you listed above come from Category 5. Does this mean that you disagree with Mr. Chan?

A. Although I am not offering a legal opinion, as a layman, I both agree and disagree with Mr. Chan. I agree that a water company regulated by the Commission does not on its own have the authority to require its customers to comply with the requirements contained in Category 5 of the BMP list. However, the Commission has the ability to grant such authority to a water company through Commission- approved tariffs. For example, the Commission could approve a tariff dealing with #5.1 - Low Water Use Landscaping Requirements for Residential, Multi-family, Non-residential, and/or Common Areas. By approving such a tariff, the Commission would give the water company the authority to refuse service to any customer who did not comply with such a tariff and give the water company the authority to terminate service to a customer who was found to be in violation of such a tariff.

Q. Company witness Chan states that he believes "the decision to adopt Best Management Practices" is "essentially a management decision that should be left to the Water Company." Do you agree with this statement?

A. No. If that were the case, ADWR would not have passed a requirement for water systems to adopt BMPs, nor would the Commission have to take steps to bring about appropriate conservation measures. If one thinks about it from a logical perspective, it is not natural for a utility to want to promote conservation. Conservation is essentially the selling of less product. The less product a company sells, the less profit it will probably make. Therefore, a company, left to its own, would probably not promote conservation, i.e., the management decision would normally be to promote the selling of more product, instead of conserving it.

Q. Mr. Chan also states that BMPs should not be required until after there is a history of water service. Do you agree?

A. Again, I both agree and disagree. It depends on which BMPs are chosen. If the BMP chosen is one having to do with providing rebates for exchanging high volume flush toilets with low flush toilets, I would agree that program would apply only to an older, established water system with a history of providing service to customers with high volume flush toilets. However, if the BMP chosen deals with installing low water use plants for landscaping, I believe that program should be implemented, if possible, before there is water service, so that customers are spared the expense of having to remove high water use landscaping to convert to low water use landscaping.

Q. So is part of what you are saying above is that implementing conservation requirements prior to serving any customers is appropriate and probably more effective and efficient than implementation after a water system is established?

A. Yes, primarily because it is usually much easier and less costly to install things up front than it is to retrofit. The Company has the opportunity to set up a conservation program from day one. I term it an opportunity because as new customers are connected, beginning with the first customer, each customer will know what is expected of him/her with regard to water conservation. The Company can avoid having to break customers of possible wasteful and inefficient water use habits by having those customers develop efficient water conserving habits from the first day they become customers. Staff can see no real downside to Wickenburg Ranch implementing a proactive water conservation at this time, while such a program should provide long term benefits to both the Company and its customers.

Q. The third groundwater conservation related requirement begins on line 27 of the 20th page of Decision No. 70741. Here, the Commission requires Wickenburg Ranch to file appropriate tariffs for Commission consideration that would condition the provision of water service to any customer on the implementation of full xeriscape landscaping in the front yards, as well as the installation of rainwater catchment systems. Has the Company yet submitted such tariffs?

A. No, Decision No. 70741 gives the Company until July 31, 2009, to submit these proposed tariffs.

Q. Would the landscaping tariff required by Decision No. 70741 qualify as a BMP?

A. Yes, specifically BMP #5.1 – Low Water Use Landscaping Requirements for Residential, Multi-family, Non-residential, and/or Common Areas.

Q. Was BMP #5.1 listed by the Company in the filing it submitted to the Commission on May 11, 2009?

A. No.

Q. With regard to the Commission requirement concerning rainwater catchments systems, would this qualify as a BMP?

A. Yes, BMP #6.8, listed by the Company in its May 11, 2009 submittal, deals with rainwater catchment systems.

Q. In Staff's opinion, does Decision No. 70741 require the Company to affirmatively implement the landscaping requirements and the requirement for rainwater catchment systems at this time?

A. No, the Commission did not order Wickenburg Ranch to implement these requirements. The Commission ordered the Company to file appropriate tariffs for Commission consideration. The Commission also ordered Wickenburg Ranch to submit, "at a minimum, the requirements for implementing such a condition of service, details of the estimated costs to the Company associated with implementation of the condition of service, proposed customer fees and charges, and any other information that Wickenburg Ranch Water, LLC believes would assist the Commission in evaluating these tariffs."

Q. Does Staff have an opinion as to why the Commission required the Company to submit the above information along with its tariffs?

A. Staff believes that the reason was to allow the Company to justify whatever charges/fees might be included in the tariffs along with any customer requirements that the Company might want to impose. In addition, the filing of such information would also allow the Company to justify why having such tariffs would not be practical or cost effective.

Q. Does Staff believe that, once Wickenburg Ranch submits its proposed landscaping and rainwater catchment tariffs along with all the required information, the Commission could decide that such tariffs are neither practical nor cost effective and, therefore, decide that such tariffs should not be required?

A. Yes. In particular, rainwater catchment systems may not prove practical or cost-effective for Wickenburg Ranch. Nothing in Decision No. 70741 forecloses the Commission from reaching that conclusion.

Q. The last groundwater conservation related requirement orders Wickenburg Ranch to work with the wastewater provider in its CC&N area to ensure that, when effluent becomes available, such effluent is used for golf course irrigation, ornamental lakes, and water features. Do you know if this has yet taken place?

A. Based on the information that Staff has at this point, a wastewater provider has not yet been established for this development. It is Staff's understanding that a sister entity to Wickenburg Ranch will be created to provide the wastewater service. If this is indeed the case, it should be fairly simple to set up a means whereby the wastewater provider would provide the effluent for any golf course irrigation, ornamental lakes, and/or water features. Such an arrangement would provide an effective use of effluent that would benefit all concerned, *i.e.*, the Company, the wastewater provider, and the ratepayers of both.

RECOMMENDATIONS

Q. Based on the above discussion, what are Staff's recommendations regarding the groundwater conservation related requirements set forth in Decision No. 70741?

A. With regard to the prohibition of using groundwater in ornamental lakes and water features or to irrigate the golf course, Staff believes that this is a reasonable requirement since it will conserve groundwater use by the Company, may delay the need for acquiring additional

wells, and provide energy and O&M expense savings related to the Company's pumps and other equipment. In addition, the Company has already stated that it does not plan to sell groundwater to the golf course for irrigation purposes.

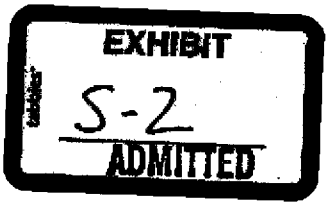
With regard to the implementation of the ten (10) BMPs, Staff believes that this is a reasonable requirement because these BMPs will promote the efficient use of groundwater through conservation. The Company should be required to provide further detail and explanation as to exactly how it will implement those BMPs that it has chosen. The Company should also be required to submit proposed tariffs for any of those BMPs that would impose requirements and or charges/fees on customers, or require the Company to provide rebates/payments to customers.

With regard to the requirement that the Company propose tariffs for implementing low-water-use landscaping and rainwater catchment systems as conditions of service, Staff believes that this requirement is reasonable because this too will promote the efficient use of groundwater through conservation. The Company should be required to submit such proposed tariffs along with as much detail as possible to allow the Commission to fully consider such tariffs and determine whether or not they are practical and cost efficient.

With regard to requiring the Company to work with the wastewater provider to obtain effluent for the golf course, etc., this requirement is reasonable because the use of effluent will also conserve groundwater in the area, which will have a beneficial effect on both the efficiency of the Company's plant and system and the quality of service experienced by the Company's ratepayers. In addition, it appears that the golf course already plans to use effluent to irrigate the golf course when effluent becomes available.

Q. Does this conclude your direct testimony?

A. Yes, it does.



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES, CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, FOR A RATE ADJUSTMENT

Docket No. W-03994A-07-0657

RESPONSE TO DATA REQUESTS

SO 1-1 Referring to p. 3, lines 9-12 of Mr. Glotfelty's testimony, please provide factual support for the following sentence: "Due to this limited amount of rainfall on each lot, installing rainwater catchment systems is not cost effective for individual homeowners." In your answer, please specifically explain why you believe that "installing rainwater catchment systems is not cost effective for individual homeowners."

Response: Average rainfall in Wickenburg is 11.07 inches (0.9225 feet) per year. Let us assume that a rainwater catchment system could capture 100% of the rainfall falling on a 2,000 square-foot roof, which would amount to 13,801 gallons annually. Small catchment systems will cost approximately $6,000 to $8,000 to install. Amortizing $6,000 in a 30-year loan at 5.5% interest rate raises the catchment system cost to $31,124.33 per unit or a total cost to the Wickenburg Ranch project of $72,332,942.92

This does not include operation, repair and maintenance costs, which can be quite high. For example, an adequate submersible pump can cost $900, not including the cost for installation.

Next assume that the residence had only 900-square feet (.021 acres) of grass and absolutely no other irrigation for trees, ornamental plants, or gardens. Knowing that the annual irrigation demand for that amount of turf is 4.9 acre-feet per year, the demand for that grass is about 32,989 gallons. This means that even if the catchment system had a 100% efficiency rate, it could meet only 42% of the turf demand, falling short of meeting this demand by 19,188 gallons annually. That is why it is fair to say that rainwater catchment systems can reasonably and accurately be categorized as not cost effective for individual homeowners. In addition, due to seasonal storm patterns, a larger portion of the precipitation occurs during the monsoon season and in the winter months.

Set forth below is a chart showing the average precipitation by month based upon the historical precipitation for the Wickenburg area versus the irrigation requirements of a typical single family residential unit (assuming a 2,000-square ft roof and a 0.2-acre yard) based upon the Wickenburg Ranch Designation of Adequate Water Supply.

Month	Avg. Precip. (inches)	Avg. Precip. (feet)	Avg. Irrigation Demand (gallons)	Variance (gallons)
January	1.19	0.099	1,949	-465
February	1.22	0.102	2,664	-1143
March	1.04	0.087	4,483	-3186
April	0.49	0.041	6,692	-6081
May	0.17	0.014	8,251	-8039
June	0.13	0.011	8,316	-8154
July	1.30	0.108	8,706	-7085
August	1.92	0.160	8,251	-5857
September	1.14	0.095	6,237	-4816
October	0.66	0.055	4,678	-3855
November	0.76	0.063	2,794	-1846
December	1.18	0.098	1,819	-348

Based upon the aforementioned, a supplemental irrigation system is required to meet irrigation demand assuming 100% utilization of rainwater for irrigation purposes, which is unrealistic.

Based upon a standard home of 1800 square feet with a roof area of 2,000 square feet and using the formula set forth in the High Desert Rain Catchment L.L.C. quote (see Attachment 4) the average residential home would capture the following rainfall during the year:

Month	Avg. Precip. (inches)	Avg Precip. (feet)	Avg. Rainfall Capture (gallons)	Efficiency
January	1.19	0.099	1,261	85%
February	1.22	0.102	1,293	85%
March	1.04	0.087	1,102	85%
April	0.49	0.041	519	85%
May	0.17	0.014	180	85%
June	0.13	0.011	138	85%
July	1.30	0.108	1,378	85%
August	1.92	0.160	2,035	85%
September	1.14	0.095	1,208	85%
October	0.66	0.055	699	85%
November	0.76	0.063	805	85%
December	1.18	0.098	1,251	85%

Based upon this rainfall capture, the following illustrates the requirement for supplemental irrigation demands using the potable water system:

Month	Avg. Rainfall Capture (gallons)	Irrigation Demand (gallons)	Variance (gallons)
January	1,261	1,949	-688
February	1,293	2,664	-1,371
March	1,102	4,483	-3,381
April	519	6,692	-6,173
May	180	8,251	-8,071
June	138	8,316	-8,178
July	1,378	8,706	-7,328
August	2,035	8,251	-6,216
September	1,208	6,237	-5,029

October	699	4,678	-3,978
November	805	2,794	-1,988
December	1,251	1,819	-569

Based upon the total annual irrigation demand of approximately 64,970 gallons per year per residential home and the average rainfall capture of 12,000 gallons per year per residential home, the average annual irrigation shortfall per home is approximately 52,970 gallons of water per year.

SO 1-2 Referring to p. 4, lines 19-21 of Mr. Glotfelty's testimony, please identify where the Company has addressed or established "that there is sufficient groundwater available to meet the potable water demands at Wickenburg Ranch."

Response: *See* Designation of Adequate Water Supply (DWR No. 700417.0000) (establishing 1,224 acre-feet per year of groundwater is physically, legally, and continuously available to meet the water company's water demand). See Attachment 1.

SO 1-3 Has the Company established there is sufficient groundwater available to meet the total (both potable and non-potable) rate demand at Wickenburg Ranch?

Response: Yes. See Response to SO 1-2. Further, Mr. Glotfelty testified that there is sufficient groundwater available to meet the total (both potable and non-potable) rate demand at Wickenburg Ranch and will do so again at the hearing.

SO 1-4 Referring to p. 2, lines 10-11 of Mr. Brownlee's testimony, please identify the "amended decision" referred to therein.

Response: The decision referred to is Decision No. 70741, as amended by the amendments at the hearing.

SO 1-5 Referring to p. 3, lines 18-21 of Mr. Brownlee's testimony, please provide factual support for the following statement: "To purchase and install rainwater

catchments that will operate well in the arid Wickenburg area will likely cost homeowners approximately $6,000 to $8,000." In you answer, please provide specific support for your cost estimates.

Response: See Attachments 2, 3, and 4.

SO 1-6 Referring to p. 3, lines 27-28 of Mr. Brownlee's testimony, please specifically identify "the other developments in the area" referred to therein.

Response: The other developments in the area include those developments within the Town of Wickenburg and other current and future nearby developments If Wickenburg Ranch is imposing a cost of $31,124.33 per residential unit plus the ongoing cost of maintenance, repair and replacement of the rain catchment systems to its housing cost versus competitive developments, it will impair the success of the project. Wickenburg Ranch is targeted toward active adult residents which mean that it is competing with Sun City, Trilogy and Pebble Creek communities who do not have this condition being imposed on them. In addition, this segment of consumer is very price conscious. In addition, given the limited number of catchment systems in use, if this is requirements home builders will shy away from building within the community due to warranty and legal liability issues. The negative impacts will not only affect the developer of Wickenburg Ranch, but the sales and property tax basis of Yavapai County, the State of Arizona and employment within the construction industry within the State of Arizona.

SO 1-7 Referring to p. 4, lines 7-11 of Mr. Brownlee's testimony, please specifically explain why you believe that rain catchments "cause health and safety concerns due to water stagnation and require significant maintenance in arid climates, which is one reason the systems commonly fall into disrepair." Please specifically explain how "water stagnation" occurs in rain catchment system. Please specifically explain why such systems "require significant maintenance in arid climates," and please specifically describe the kind of maintenance that is required and the cost thereof.

Finally, please specifically identify and explain the health and safety concerns to which you refer.

Response: Based upon our research and discussions with master developer using this type of system, rainwater catchments can cause health and safety concerns due to water stagnation when water is left in storage. Depending upon the type of system used captured water if left exposed is going to attract flies, mosquitoes and bees to the moisture. This can cause serious health concerns, such as those associated with West Nile virus. In addition, an open catchment basin (which is not practical in the desert environment) in a storm or post storm condition will be full of water, which will be a safety hazard for small children. . Water stagnation can occur in rain catchment systems for a number of reasons. For example, submersible pumps are usually fitted with a shutoff switch so when the water levels get too low, the submersible pump will trip off so that it will not fail due to the presence of air. So when water levels are low and no rainfall occurs, the catchment system will hold "dead storage" (i.e. stagnant) water for quite some time. When the system is full due to heavy or continued weather conditions, the systems do not recycle due to lack of irrigation demand. Unfortunately mother nature is not a system which can be regulated so the ability to count of continuous flow through the system is difficult unless supplemented with potable water. Even when mixed with potable water the impurities in the rain water cause algae and other bacterial growth within the irrigation system potentially causing health and maintenance related issues. Water can be collected and left stagnant when people stop using the system or when a residence is vacant.

Catchment systems require significant maintenance in arid climates because problems arise as the pumps and rainwater catchment systems endure drastic changes as their environment changes from wet to dry and from extreme heat to freezing. For example, when a wet pump becomes dry, its seals dry out, crack and must be replaced. The estimated cost to replace a submersible pump is $900. If the pump was not submersible, problems can arise when water is in the system and freezing occurs.

Further, these systems can become clogged for many reasons, such as when screens are not functioning properly or when the water lines leading to the catchment container have dips that fill with sludge and sediments and algae growth within the system. During heavy rain events, water catchment systems cannot hold all of the water. A significant portion of the rain in Wickenburg on a monthly basis comes in one or two storms in a month, limiting the ability of the catchment system to efficiently capture the water..

All types of maintenance are required. Water collections systems must be cleaned routinely so the screens do not become plugged. Cleaning such systems will cost approximately $50 to $100 per occurrence, unless the homeowner does the work themselves. . Pump seals become dry and must routinely be replaced; otherwise, the pump will be damaged and a new pump must be purchased. Some of these tasks may require excavation. Some less-effective and less-durable pumps cost approximately $200 to $500 as replacements, but the vendors recommend pumps that cost approximately $900. Plumbers charge approximately $75 to $100 per hour for the service. Moreover, when roof systems are modified to hold water, they inevitably leak and in turn could result in mold, or other water damage and the potentially lead to lawsuits. Leaking roofs can cost thousands of dollars in repairs.

SO 1-8 Referring to p. 4, lines 14-20 of Mr. Brownlee's testimony, please provide any literature, planning documents, internal memos, or any other communication of any kind that documents the intent to limit landscaping that has a large water requirement.

Response: The Community Design Guidelines will contain language outlining planting requirements to limit landscaping that has a large water requirement. Those Community Design Guidelines have not been completed; however, Wendell Pickett is the person who will draft theses documents and is a witness who will testify to this intent and the staff will have the opportunity to cross examine him on these issues. Additionally, the Community Design Guidelines are enforced through the Covenants Conditions and

Restrictions. The Covenants Conditions and Restrictions are a recorded deed restriction against each individual property within the community.

SO 1-9 Referring to p. 4, lines 23-26 of Mr. Brownlee's testimony, please state how much rainwater a rain catchment system must capture in order to work effectively. Please identify how much rain is expected in the Wickenburg Ranch area.

Response: It depends upon the type of system and irrigation water demand. For example, at a typical residential lot, to operate effectively, a rainwater catchment system must have at a minimum approximately 250 gallons held in storage, for each irrigation cycle. This does not include "dead storage" needed to ensure the submersible pump can operate. In simple terms this would mean that the system has to have a steady flow of 250 gallons per day to be utilized for irrigation purposes on a year around basis. In the months of May (.5" rainfall), June (.1" rainfall) and July (.2" rainfall) it is not practical to think that you will have sufficient rainfall to support irrigation using the system. The typical system has 2500 gallons of storage, in a .1" rainfall the system would collect _____ gallons, this is for the entire month of June. See also Response to SO 1-1.

SO 1-10 Referring to p. 4, lines 26-28 of Mr. Brownlee's testimony, please specifically identify the "maintenance issues with algae growth." Please specifically identify the causes and associated problems with "clogged lines and heads within the irrigation system." Finally, please identify how homeowners would bypass the system and the problems associated with such efforts at bypass.

Response: Algae grow occurs to the impurity in the rain water and in the system and needs to periodically be flushed or removed. This is a process which the normal homeowner is not familiar with and will most likely neglect. Algae growth will cause clogging of the system and screens. The maintenance related issues are burdensome and expensive as compared to a potable irrigation system.

Homeowners can and will bypass the system by using a hose, connecting the irrigation distribution lines to the home's potable water plumbing, or connecting the

catchment system to the potable water system. This could cause serious concerns to the entire community due to backflow issues. DOESN'T EACH HOME HAVE TO HAVE A BACKFLOW PREVENTOR?

SO 1-11 Referring to p. 6, lines 17-20 of Mr. Brownlee's testimony, please provide an estimate of when the Wickenburg Ranch development will be sufficiently built-out to supply the golf course with effluent sufficient to meet all of the golf course's irrigation demand. Please provide a year by year estimate of amount of groundwater that will be displaced by effluent between now and the time when build-out will be sufficient to provide all of the golf course's irrigation needs with effluent.

Response: See Decision No. 70741 at page 7. The Company has already provided the estimated connections from 2008 through 2013 (six years) is as follows:

	2008	2009	2010	2011	2012	2013
New Customers	0	194	350	378	444	414

Internal market analyses confirmed these estimates were reasonable. However, due to project delays, due to economic conditions these estimates will be pushed back another year or two. While this is purely speculative, the Company believes that there will be enough effluent to meet golf course demands within 10 to 15 years from the date that project lot sales begin.

SO 1-12 Referring to p. 2, lines 17-18 of Mr. Pickett's testimony, please specifically describe the "health and safety issues that can arise due to retaining storm water on lots."

Response: See Response to SO 1-7.

SO 1-13 Referring to p. 2, lines 22-23 of Mr. Pickett's testimony, please define an "average golf course in the central Arizona area" as that term is used in your testimony.

Please describe the specific features and/or designs by which the Wickenburg Ranch golf course will use 35% less water than the average golf course in the central Arizona area. Please compare and contrast the water usage of an "average golf course in the central Arizona area" with the anticipated water usage of the Wickenburg Ranch golf course.

Response: An average golf course in central Arizona has 90 acres of turf, a small lake, and other low water demand vegetation. The Wickenburg Ranch golf course will have 64 turf acres, which is about 27% less turf. Turf limits are delineated in a very efficient manner in sprinkler head spacing and sprinkler delivery to gain the overall 35% water reduction in comparison to typical Central Arizona golf courses. The estimated water demand for the golf course is 284 acre-feet per year.

SO 1-14 Referring to p. 3, lines 8-16 of Mr. Pickett's testimony, please state whether it is the Company's conclusion that "ponding catchment" systems are not suitable for the Wickenburg Ranch development. Please specifically explain the reasoning underlying the Company's conclusion as specifically related to Wickenburg Ranch.

Response: Pond catchment systems are not suitable for Wickenburg Ranch. Setting aside the health and safety concerns, the project consists of small lots for an age-targeted, second home market and is zoned accordingly. The project lots relative to that market do not have room for pond catchments. The project density will not readily accommodate either pond catchment basins or containers in those lot sizes.

SO 1-15 Referring to p. 4, line 17 of Mr. Pickett's testimony, please specifically explain why you believe that "container systems are not cost effective." Please provide cost estimates to explain your answer.

Response: See Responses to SO 1-1 and 1-5.

SO 1-16 Referring to p. 4, lines 23-27 of Mr. Pickett's testimony, please identify and provide the specific information relied upon by Mr. Pickett when he formed the opinion

that, in Santa Fe and Tucson, "the general consensus is that they (rain catchments) did not work well and the public opinion of these systems was negative."

Response: Mr. Pickett states: "I have formed my opinion based on having clients in Santa Fe, Central New Mexico and Tucson areas, who are either currently dealing with zoning issues related to catchment basins or dealing with jurisdictions who are considering them. All feel they are an unreasonable expense and they are not a useful tool."

SO 1-17 Referring to Mr. Platts' testimony, please provide a copy of his resume, including a description of his educational background and professional qualifications and experience.

Response: Mr. Platt is being offered as a lay witness and not an expert. So, Mr. Platt's profession and educational background is not relevant. Nevertheless, Mr. Platt received a high school diploma from Lyman High School in Lyman Wyoming. Professionally, Mr. Platt worked in the oil and gas industry for many years and is now retired. He now buys and sells property for income. Mr. Platt does not have a resume.

SO 1-18 Referring to p. 2, lines 5-11 of Mr. Platts' testimony, please identify every specific fact, analysis, conversation, document, or communication of any kind that he has relied upon in reaching the conclusions set forth therein.

Response: This question is overly-broad and Mr. Platt and Wickenburg Ranch reserve the right to supplement this answer. The following response consists of certain material and relevant communications that Mr. Platt has relied upon. To form his opinion, Mr. Platt is relying upon conversations that took place with P.E. Davin Benner and Tom Worley. He has also been informed by M3 company representatives that the cost of water catchment systems to be installed will cost approximately $6,000 per home. Mr.

Platt has reviewed the witness testimony offered by Marvin Glotfelty, Peter Chan, Wendell Pickett, Bill Brownlee and Steve Olea.

DATED June 8, 2009.

MOYES SELLERS & SIMS, LTD.

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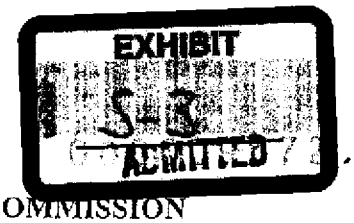

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF WICKENBURG RANCH WATER, LLC (FORMERLY CDC WICKENBURG WATER, LLC) FOR APPROVAL OF A RATE ADJUSTMENT.

DOCKET NO. W-03994A-07-0657

DECISION NO. 70741

OPINION AND ORDER

DATE OF HEARING: October 8, 2008

PLACE OF HEARING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Sarah N. Harpring

APPEARANCES: Mr. Steve Wene, Moyes, Sellers & Sims, on behalf of Wickenburg Ranch Water, LLC; and

Mr. Kevin Torrey, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On November 20, 2007, Wickenburg Ranch Water, LLC ("Wickenburg Ranch") filed with the Arizona Corporation Commission ("Commission") an Application to Adjust Rates.

On December 14, 2007, the Commission's Utilities Division Staff ("Staff") filed a Letter of Insufficiency stating that the application did not meet the sufficiency requirements outlined in Arizona Administrative Code ("A.A.C.") R14-2-103.

On January 3, 2008, Wickenburg Ranch filed an Affidavit of Publication of Customer Notice showing that notice of its application had been published in *The Wickenburg Sun* on December 12, 19, and 26, 2007.

On January 18, 2008, Wickenburg Ranch filed a response to Staff's Letter of Insufficiency.

On February 21, 2008, Staff issued a Letter of Sufficiency, stating that Wickenburg Ranch's application had met the sufficiency requirements outlined in A.A.C. R14-2-103 and that Wickenburg Ranch had been classified as a Class C utility.

On February 28, 2008, a Procedural Order was issued scheduling a telephonic procedural conference for March 17, 2008.

On March 4, 2008, Wickenburg Ranch filed a Response to Second Set of Data Requests.

On March 17, 2008, a telephonic procedural conference was held before a duly authorized Administrative Law Judge ("ALJ") of the Commission. Wickenburg Ranch and Staff appeared through counsel. During the procedural conference, it was determined that Staff would file its Staff Report by July 7, 2008, and that Wickenburg Ranch would file any response to the Staff Report by July 28, 2008. There was also a discussion regarding whether a hearing would be needed.

On July 8, 2008, Staff filed a Motion to Extend Time to File Staff Report ("Motion to Extend Time"), requesting an additional two weeks for Staff to prepare the Staff Report because Staff had just received new information from the Arizona Department of Water Resources ("ADWR") stating that there is insufficient water in the area for the purposes outlined in the application. Staff avowed that Wickenburg Ranch did not object to the requested extension of time.

On July 10, 2008, a Procedural Order was issued extending Staff's deadline to file the Staff Report and/or direct testimony and exhibits; scheduling a hearing in this matter for October 8, 2008; establishing associated requirements and deadlines; scheduling a pre-hearing conference for October 1, 2008; requiring prefiled testimony and exhibits; and extending by 60 days the time period for the Commission's final order in this matter.

On July 16, 2008, Wickenburg Ranch filed a Response to Staff's Motion to Extend Time, stating that Staff's assertion that there is insufficient water in the area for the purposes outlined in the application was erroneous and taking issue with Staff's making such an assertion in a Motion to Extend Time.

On August 6, 2008, Wickenburg Ranch filed the Direct Testimony of William Brownlee, Sonn Rowell, John Matta, Peter Chan, and Steve Corell. Wickenburg Ranch also filed six exhibits.

On August 15, 2008, Wickenburg Ranch filed a Certification of Publication and Mailing of Notice of Application stating that notice had been published in *The Wickenburg Sun* on July 30, 2008; that Wickenburg Ranch currently has no licensees or water customers; and that notice was provided to the owners of the Wickenburg Ranch Estates development on July 23, 2008.

On September 3, 2008, Staff filed a Staff Report recommending approval of Staff's recommended rates and charges.

On September 15, 2008, Wickenburg Ranch filed a Motion for Extension of Time to File Comments to Staff Report and Motion to Reschedule Prehearing Conference. Wickenburg Ranch stated that Staff had no objection to the extension.

On September 19, 2008, a Procedural Order was issued extending to September 29, 2008, Wickenburg Ranch's deadline to respond to the Staff Report and rescheduling the pre-hearing conference to October 6, 2008.

On September 26, 2008, in response to the Staff Report, Wickenburg Ranch filed the Rebuttal Testimony of William Brownlee.

On October 6, 2008, the pre-hearing conference proceeded as scheduled. Wickenburg Ranch and Staff appeared through counsel. At the pre-hearing conference, the parties were informed of specific subject areas to address at the hearing.

On October 8, 2008, the hearing proceeded as scheduled before a duly authorized ALJ of the Commission at the Commission's offices in Phoenix, Arizona. Wickenburg Ranch and Staff appeared through counsel and presented evidence and testimony. Staff was directed to file, by October 15, 2008, one late-filed exhibit related to Wickenburg Ranch's proposed cash working capital allowance. Wickenburg Ranch was directed to file any response it may have by October 22, 2008.

On November 25, 2008, Staff filed a late-filed exhibit stating that Staff does not recommend a cash working capital allowance. Wickenburg Ranch did not file a response.

* * * * * * * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. Wickenburg Ranch is an Arizona limited liability company authorized to provide water utility service to customers in Yavapai County, Arizona, pursuant to a Certificate of Convenience and Necessity ("CC&N") originally granted in Decision No. 42961 (November 22, 1972).[1] Decision No. 42961 established Wickenburg Ranch's current rates of $6.00 for the first 2,000 gallons or less for each consumer per month and $1.00 per thousand gallons for all water used in excess of 2,000 gallons per month.

2. Wickenburg Ranch and its predecessors have never served a single water customer. The development the CC&N was granted to serve was never built, with the exception of a small resort that was originally commonly owned with the water utility and later, when ownership diverged, was granted a license to use and maintain the water system by one of Wickenburg Ranch's predecessors and thus was never classified as a customer or required to pay rates.[2] The resort has been out of operation since 2005 and is currently undergoing a major demolition and remodel process.

3. The water system plant built to serve the CC&N service area includes a 500,000 gallon storage tank, two 70,000 gallon booster tanks, and 16,000 linear feet of 4-inch distribution line. The plant dates back to the early 1970s, has been fully depreciated, and is no longer in use due to its poor condition. Wickenburg Ranch does not intend to place the existing plant into service. Wickenburg Ranch also has five wells that were drilled more than 30 years ago and that it does not intend to use as potable water production wells. Wickenburg Ranch states that only one of the wells was ever equipped and used to supply potable water to the resort.

4. On November 20, 2007, Wickenburg Ranch filed with the Commission an Application to Adjust Rates, stating that it desires to establish new rates and charges to provide water service to a 2,162-acre master-planned community known as Wickenburg Ranch Estates, which is planned to

[1] Decision No. 42961 granted a CC&N to Yavapai Hills Water Company, an Arizona limited liability partnership. In 1996, in Decision No. 59646 (May 15, 1996), Yavapai Hills Water Company was authorized to transfer its CC&N and to sell its assets to Wick Water, LLC, a Kansas limited liability company. In 2001, in Decision No. 64252 (December 4, 2001), Wick Water, LLC, was authorized to transfer its CC&N and assets to CDC Wickenburg Water, LLC. In September 2007, CDC Wickenburg Water filed Amended Articles of Organization with the Commission to change its name to Wickenburg Ranch Water, LLC.

[2] The Commission recognized this treatment of the resort in Decision No. 59646 (May 15, 1996).

consist of commercial units and 2,324 housing units.

5. Because Wickenburg Ranch has no historical test year data from water utility operations, Staff and Wickenburg Ranch agreed that Wickenburg Ranch's rate application would be treated similarly to an initial CC&N application.

6. Notice of the application was published in *The Wickenburg Sun* on December 12, 19, and 26, 2007.

7. On February 21, 2008, Staff issued a Letter of Sufficiency, stating that Wickenburg Ranch's application had met the sufficiency requirements outlined in A.A.C. R14-2-103 and that it had been classified as a Class C utility.

8. Notice of the application and hearing was published in *The Wickenburg Sun* on July 30, 2008, and was provided to the owners of the Wickenburg Ranch Estates development on July 23, 2008. No comments have been received regarding the application.

9. On September 3, 2008, Staff filed its Staff Report, recommending approval of Staff's recommended rates and charges.

10. On September 26, 2008, Wickenburg Ranch filed the Rebuttal Testimony of William Brownlee in response to the Staff Report.

11. On October 8, 2008, a hearing on Wickenburg Ranch's application was held before a duly authorized ALJ of the Commission at the Commission's offices in Phoenix, Arizona. Wickenburg Ranch and Staff appeared through counsel and presented evidence and testimony. Wickenburg Ranch presented testimony from William Brownlee, Sonn Rowell, John Matta, Marvin Glotfelty, and Peter Chan. Staff presented testimony from Jian Liu and Gary McMurry. Staff was directed to file, by October 15, 2008, one late-filed exhibit related to Wickenburg Ranch's proposed cash working capital allowance. Wickenburg Ranch was directed to file any response it may have by October 22, 2008.

12. On November 25, 2008, Staff filed its late-filed exhibit, stating that it does not recommend a cash working capital allowance because Wickenburg Ranch has not justified the need for one. Staff stated that a cash working capital allowance is generally only granted to larger companies when there is a demonstrated need to cover the time lag between cash payments to

vendors and cash receipts from customers and that Class C and larger utilities typically have a negative cash working capital component and do not need additional funding through this mechanism. In the absence of actual data from Wickenburg Ranch demonstrating that there will be a time lag between receipt and disbursement of funds, Staff does not believe that a cash working capital allowance is appropriate. Wickenburg Ranch did not file a response.

13. Wickenburg Ranch and the developer for Wickenburg Ranch Estates, JVT Investors, LLC ("JVT"), are both funded through organizations ultimately owned and controlled by Larry Van Tuyl.[3] (Tr. at 11, 21-22.) Mr. Van Tuyl has also established another company, Wickenburg Ranch Wastewater, LLC, that will soon be seeking a CC&N to provide wastewater service to Wickenburg Ranch's CC&N service area. (Tr. at 13, 26-27.) Wickenburg Ranch and JVT Investors are both in good standing with the Commission's Corporations Division.

14. Wickenburg Ranch obtained a Designation of Adequate Water Supply ("DAWS") from ADWR in February 2008, based on a projected demand of 1,224 acre-feet per year in 2013. (Ex. A-7 at ex. 6.) In May 2006, Wickenburg Ranch had obtained from ADWR an Analysis of Adequate Water Supply ("Analysis") establishing that 1,224 acre-feet per year of groundwater is physically, legally, and continuously available, but also stating that Wickenburg Ranch's projected buildout demand is 1,400.84 acre-feet per year. (Ex. A-7 at ex. 12 to ex. 1.) The Analysis states that an additional 247 acre-feet per year of effluent will be generated at buildout, but that the effluent had not been proven to be physically, legally, or continuously available at that time. (*Id.*) Wickenburg Ranch witness Marvin Glotfelty testified that the development will phase up to the 1,400.84 acre-feet per year water demand and that the existing groundwater can meet the existing need in the meantime. (Tr. at 55.)

15. The commercial units planned for Wickenburg Ranch Estates include a resort, a golf course, and potentially a time share resort, depending on market demand. (Tr. at 28.) The planned residential units include 383 custom home lots and 1,941 production housing lots. (Tr. at 18.) Phase

[3] Mr. Van Tuyl owns JVT Investors jointly with the Van Tuyl Family Irrevocable Trust, and JVT Investors owns Wickenburg Ranch Estates. (Tr. at 24.) Mr. Van Tuyl owns VT Wick, Inc. along with his father, Cecil Van Tuyl. (Tr. at 24-25.) VT Wick owns Vanwick, LLC, which owns Wickenburg Ranch. (Tr. at 25.) Larry Van Tuyl controls the entire enterprise and is the source of the funding for the enterprise. (Tr. at 25.)

I of the development is planned to include 100 custom home lots, the golf course, and the initial phase of the resort. (Tr. at 28-29.) Phase I may also include up to 200 lots for production housing, depending on market demand.[4] (Tr. at 29.) As of January 2010, the main lines and arterial roads should be present for the production home parcels; the custom home lots that have been improved should have main lines fronting them; and the main well, the water storage facility, and any necessary treatment facilities should be completed. (Tr. at 22.)

16. Initially, JVT will be using private wells owned by JVT and located on the golf course land to irrigate the golf course and landscaping and to provide water for ornamental lakes. (Tr. at 14, 26, 68.) The private wells are not owned by Wickenburg Ranch and will not be part of Wickenburg Ranch's water system,[5] but will be drawing water from the same aquifer as will the water system. (Tr. at 26, 69, 76.) Mr. Brownlee testified that JVT has an agreement with Yavapai County to be able to use groundwater as supplemental irrigation through irrigation wells on the golf course property. (Tr. at 14.) The decision to use the private wells to irrigate the golf course was based on knowledge of the Commission's preference not to have water companies irrigate golf courses. (Tr. at 80.) Mr. Glotfelty testified that the private wells were considered by ADWR in its approval process for the DAWS. (Tr. at 76-77.) Once effluent is produced through the development, JVT will use effluent for irrigation. (Tr. at 14-15, 26.) Wickenburg Ranch witness Peter Chan testified that it would take approximately 1,000 to 1,200 houses to produce sufficient effluent to irrigate the golf course, which will require 284 acre-feet of water for irrigation per year.[6] (Tr. at 67-68, 72.) Mr. Chan testified that, at full buildout, Wickenburg Ranch Estates will produce approximately 526 acre-feet of effluent per year. (Tr. at 70.)

17. Wickenburg Ranch's CC&N service area is not located in an Active Management Area ("AMA") and will not be subject to ADWR reporting and conservation requirements. (Ex. S-1

[4] Development of the production housing lots will be driven by demand from homebuilders, as there are currently no contracts in place to sell those production housing lots in bulk to builders for development. (Tr. at 18-19, 29.) The production housing land will be developed to "superpad" condition, meaning that it will be graded, that arterial streets will be in, and that the utilities will be stubbed to the entrance to the pad. (Tr. at 29.) The purchasing homebuilder would buy the pad and then build the individual lots within the parcel. (Tr. at 30.)

[5] These apparently are not the same wells as referenced in Findings of Fact No. 3.

[6] It appears that 1,268 homes may be a more accurate figure, based on Mr. Chan's estimate of 200 gallons of sewage per day produced per home. (*See* Tr. at 69.) One acre-foot is equivalent to approximately 325,851 gallons. The golf course will thus require 92,541,684 gallons per year, or 253,539 gallons per day. Divided by 200, that results in 1,268.

at 35.)

18. Although Wickenburg Ranch is located outside an Active Management Area, it should nonetheless be required to comply with some of the conservation goals and management practices of the Arizona Department of Water Resources ("ADWR"). We will require Wickenburg Ranch to implement, within 90 days of the effective date of this Decision, at least 10 Best Management Practices ("BMP") (as outlined in ADWR's Modified Non-Per Capita Conservation Program). Only one of these BMP's shall come from the "Public awareness/PR or Education and Training categories of the BMPs.

19. Because the developer in this case has insisted on building a golf course prior to the availability of effluent for the irrigation of that golf course, and because the Commission has becoming increasingly concerned with the prolonged drought in Central Arizona, we believe it is in the public interest to require, as a compliance item in this case, the Company to file appropriate tariffs for Commission consideration that would condition the provision of water service to any customer on the implementation of full xeriscape landscaping in front yards, as well as the installation of rainwater catchment systems. These tariffs shall contain, at a minimum, the requirements for implementing such a condition of service, details of the estimated costs to the Company, if any, associated with implementation of the condition of service, proposed customer fees and charges, and any other information that Wickenburg Ranch believes would assist the Commission in evaluating these tariffs. These tariffs shall also demonstrate compliance with all applicable requirements of ADEQ and any applicable local codes.

20. Wickenburg Ranch initially will be managed through a contract with CSA Engineering. (Tr. at 30.) Wickenburg Ranch witness Peter Chan is the President of CSA Engineering and a Professional Engineer specializing in water and wastewater treatment systems. (Ex. A-6 at 2.) Mr. Chan will serve as the Certified Operator for the water system. (*Id.*) In the future, Wickenburg Ranch intends to do a request for proposals to determine whether another management firm would be more beneficial. (Tr. at 30.) Wickenburg Ranch intends always to obtain its management services through contract. (Tr. at 30.)

. . .

21. The water rates and charges for Wickenburg Ranch at present, proposed by Wickenburg Ranch,[7] and recommended by Staff are as follows:

MONTHLY USAGE CHARGE:	Present Rates	Company Proposed	Staff Recommended
5/8" x ¾" Meter	$ 6.00	$ 11.50	$ 17.25
¾" Meter	6.00	17.25	17.25
1" Meter	6.00	28.75	28.75
1½" Meter	6.00	57.50	57.50
2" Meter	6.00	92.00	92.00
3" Meter	6.00	184.00	184.00
4" Meter	6.00	287.50	287.50
5" Meter	6.00	431.25	N/A
6" Meter	6.00	575.00	575.00
Gallons included in Minimum	2,000	0	0
Commodity Rates (Per 1,000 Gallons)			
5/8" x ¾" & ¾" Meter			
Over 2,000 Gallons	$1.00	N/A	N/A
All Usage	N/A	$2.50	N/A
1 to 3,000 Gallons	N/A	N/A	$3.30
3,001 to 10,000 Gallons	N/A	N/A	5.00
Over 10,000 Gallons	N/A	N/A	6.00
1" Meter			
Over 2,000 Gallons	$1.00	N/A	N/A
All Usage	N/A	$2.50	N/A
1 to 20,000 Gallons	N/A	N/A	$5.00
Over 20,000 Gallons	N/A	N/A	6.00
1 ½" Meter			
Over 2,000 Gallons	$1.00	N/A	N/A
All Usage	N/A	$2.50	N/A
1 to 45,000 Gallons	N/A	N/A	$5.00
Over 45,000 Gallons	N/A	N/A	6.00
2" Meter			
Over 2,000 Gallons	$1.00	N/A	N/A
All Usage	N/A	$2.50	N/A
1 to 75,000 Gallons	N/A	N/A	$5.00
Over 75,000 Gallons	N/A	N/A	6.00
3" Meter			
Over 2,000 Gallons	$1.00	N/A	N/A
All Usage	N/A	$2.50	N/A

[7] Wickenburg Ranch's proposed rates and charges, as revised, were included in Ex. A-3 at att. 4.

1 to 150,000 Gallons	N/A	N/A	$5.00
Over 150,000 Gallons	N/A	N/A	6.00
4" Meter			
Over 2,000 Gallons	$1.00	N/A	N/A
All Usage	N/A	$2.50	N/A
1 to 250,000 Gallons	N/A	N/A	$5.00
Over 250,000 Gallons	N/A	N/A	6.00
6" Meter			
Over 2,000 Gallons	$1.00	N/A	N/A
All Usage	N/A	$2.50	N/A
1 to 500,000 Gallons	N/A	N/A	$5.00
Over 500,000 Gallons	N/A	N/A	6.00

SERVICE LINE AND METER INSTALLATION CHARGES:
(Refundable pursuant to A.A.C. R14-2-405)

	Present Rates	Company & Staff Service Line Charge	Company & Staff Meter Installation	Company & Staff Total Recommended
5/8" x ¾" Meter	N/A	$ 365.00	$ 115.00	$ 480.00
¾" Meter	N/A	375.00	185.00	560.00
1" Meter	N/A	425.00	225.00	650.00
1 ½" Meter	N/A	460.00	435.00	895.00
2" Turbine Meter	N/A	615.00	940.00	1,555.00
2" Compound Meter	N/A	615.00	1,665.00	2,280.00
3" Turbine Meter	N/A	790.00	1,445.00	2,235.00
3" Compound Meter	N/A	830.00	2,240.00	3,070.00
4" Turbine Meter	N/A	1,130.00	2,310.00	3,440.00
4" Compound Meter	N/A	1,195.00	3,200.00	4,395.00
6" Turbine Meter	N/A	1,695.00	4,500.00	6,195.00
6" Compound Meter	N/A	1,740.00	6,230.00	7,970.00

SERVICE CHARGES:	Present Rates	Company	Staff
Establishment	N/A	$25.00	$25.00
Establishment (After Hours)	N/A	35.00	35.00
Reconnection (Delinquent)	N/A	40.00	40.00
NSF Check	N/A	25.00	25.00
Meter Re-Read (If Correct)	N/A	25.00	25.00
Meter Test (If Correct)	N/A	25.00	25.00
Deferred Payment (Per Month)	N/A	1.50%	1.50%
Deposit	N/A	75.00	*
Deposit Interest	N/A	0.00%	*
Reestablishment (Within 12 Months)	N/A	**	**
Monthly Service Charge for Fire Sprinkler (All Sizes)	N/A	N/A	***

* Per Commission rule (R-14-2-403(B)).

** Months off system times the monthly minimum (R14-2-403(D)).
*** 1.0 percent of monthly minimum for a comparably sized meter connection, but no less than $5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

22. Staff's recommended rates and charges are based on projected rate base and operating results for the fifth year of operations. Likewise, Wickenburg Ranch's proposed rates and charges, which were revised subsequent to its initial application, are based on its projections of revenue and expenses for the first five years of serving customers.

23. Staff determined Wickenburg Ranch's original cost rate base ("OCRB") to be $2,951,001. This is a $3,638,281 increase from Wickenburg Ranch's proposed OCRB of ($687,280), resulting from Staff's disallowance of $3,773,279 in advances in aid of construction ("AIAC") and $134,998 in cash working capital.

24. Staff recommends eliminating the AIAC because it believes that Wickenburg Ranch should use a capital structure of 70 percent equity and 30 percent AIAC rather than its proposed capital structure of 100 percent AIAC. Staff witness Gary McMurry testified that start-up companies are risky, as they have no customer base, and thus need a stronger equity cushion to protect them against unforeseen events, such as the failure of a pump, a well running dry, or the discovery of arsenic contamination. (Tr. at 93-94.) Mr. McMurry testified that if a company does not have a cash account to pay for such unforeseen events, the company generally either has to look to the developer or one of the lenders of last resort (the Arizona Water Infrastructure and Finance Authority or the U.S. Department of Agriculture Rural Utilities Service) to obtain funds. (Tr. at 94.) Mr. McMurry also testified that lenders are not very likely to provide a company a loan when the company does not have any equity funds at risk. (*Id.*) Mr. McMurry cited to a recent Decision involving Double Diamond Utilities, Inc., in which the Commission required a capital structure of 70 percent equity and 30 percent AIAC and also imposed a $500,000 performance bond.[8] (Tr. at 95.) Mr. McMurry stated that he believed his recommendations were beneficial to Wickenburg Ranch because he did not recommend either a performance bond or 100 percent equity, as is often done for start-up companies. (*Id.*) Mr. McMurry also testified that one cannot assume that money can be collected from the

[8] This was Decision No. 70352 (May 16, 2008), which granted an initial CC&N. The performance bond was required primarily because the applicant had no experience in successfully operating a public utility.

developer, because that money would be based on sales, which are not certain. (Tr. at 98.) Staff's position was not altered by the testimony that Larry Van Tuyl is actually the source for all of the funding and has the funds available to provide equity as needed. (Tr. at 99-100.)

25. Staff recommends eliminating Wickenburg Ranch's proposed cash working capital allowance because a lead/lag study is generally required for Class C utilities. (Tr. at 101.) However, Staff acknowledged at hearing that it would not have been possible for Wickenburg Ranch to complete a lead/lag study, as it has not had any customers. (*Id.*) Staff also stated that it usually allows cash working capital based on the formula method for an initial CC&N application, but pointed out that this is a ratemaking case rather than an initial CC&N case. (Tr. at 102.) Staff agreed to analyze whether it desired to change its recommendation on cash working capital and to make a late-filed exhibit with its recommendation. (Tr. at 103.) In its late-filed exhibit, Staff again recommended that the cash working capital allowance be disallowed, as Staff believes that Wickenburg Ranch has not provided, and does not have the data to provide, sufficient justification for a cash working capital allowance. (Staff late-filed ex. at 8.) Staff stated that there is no reason to assume that there is a positive cash working capital requirement and added that Staff consistently recommends no cash working capital allowance in rate base for Class A, B, and C utilities, in the absence of a lead/lag study. (*Id.*)

26. Staff determined that Wickenburg Ranch's fair value rate base ("FVRB") is equal to its OCRB of $2,951,001.

27. Staff increased Wickenburg Ranch's proposed water sales revenue by $261,120, to $1,011,707, to provide an 8 percent rate of return on FVRB.

28. Staff reduced Wickenburg Ranch's proposed operating expenses by $4,953 to reflect a normalized testing expense for the projected customer base of 1,791 customers in year five. Staff explained that water testing expenses are $2.07 per connection plus a fixed $250 per year, resulting in a total of $3,957. Staff also increased Wickenburg Ranch's operating expenses by adding $112,287 in income taxes, to reflect application of the statutory state and federal income tax rates to Staff's recommended taxable income. These changes bring total operating expenses to $785,976.

29. In year five, Wickenburg Ranch's proposed rates and charges would produce total

operating revenue of $760,937 and total operating expenses of $678,641, resulting in operating income of $82,295 or a 10.81 percent operating margin. It is not possible to determine a rate of return from Wickenburg Ranch's proposed rates and charges using Wickenburg Ranch's proposed negative OCRB. However, using Staff's proposed FVRB of $2,951,001, and making Staff's $4,953 adjustment to testing expenses, Wickenburg Ranch's proposed rates and charges would result in a 2.96 percent rate of return.[9]

30. The water rates and charges Staff recommended would produce total operating revenue of $1,022,057 and total operating expenses of $785,976, resulting in operating income of $236,081 or an 8 percent rate of return.

31. The Staff Report stated that Wickenburg Ranch's proposed rates would result in an average monthly customer water bill of $31.82 for a customer with a 5/8" x ¾" meter and a projected median usage of 5,827 gallons per month. Based on Wickenburg Ranch's revised rate design, this figure would actually be lower. (*See* Ex. A-3 at att. 4.)

32. The Staff Report stated that Staff's proposed rates would result in an average monthly customer water bill of $41.29 for a customer with a 5/8" x ¾" meter and a projected median usage of 5,827 gallons per month.

33. Mr. McMurry testified that Staff's recommended rates would result in overearning if Wickenburg Ranch were permitted to use a capital structure of 100 percent AIAC. (Tr. at 95.) Staff did not analyze the reasonableness of Wickenburg Ranch's proposed rates and charges, which are premised on the assumption of a capital structure of 100 percent AIAC, because Staff believes that a capital structure of 100 percent AIAC is just too risky and could not be recommended. (Tr. at 99-100.)

34. Staff recommended approval of Staff's proposed rates and charges and also recommended the following:

a. That Wickenburg Ranch collect from its customers a proportionate share of any privilege, sales, or use tax per A.A.C. R14-2-409(D)(5);

[9] Wickenburg Ranch proposed rates and charges result in total operating revenues of $760,937 and total operating expenses of $678,641, resulting in operating income of $82,295. If expenses are reduced by $4,953, operating income is increased to $87,248.

b. That Wickenburg Ranch be required to maintain a capital structure that includes no more than 30 percent combined AIAC and contributions in aid of construction ("CIAC"), with the remainder as equity;

c. That Wickenburg Ranch be required to file with Docket Control, as a compliance item in this docket, a copy of the Approval to Construct ("ATC") for the first subdivision of the Wickenburg Ranch Estates development within two years after the effective date of the order granting this application;

d. That Wickenburg Ranch use the depreciation rates by plant account presented in Table A of the Staff Engineering Report;

e. That Wickenburg Ranch be required to file a rate case application within three months after the five-year anniversary of the date that Wickenburg Ranch begins providing service to its first customer;

f. That Wickenburg Ranch be required to file with Docket Control, as a compliance item in this docket, within 15 days of providing service to its first water customer, a notice that it has begun providing service to its first water customer;

g. That Wickenburg Ranch be required to file with Docket Control, as a compliance item, within 30 days after the effective date of the Decision in this proceeding, a tariff schedule of its new rates and charges; and

h. That Wickenburg Ranch be required to file with Docket Control, as a compliance item, within 30 days after the effective date of the Decision in this proceeding, a Curtailment tariff and a Cross-Connection/Backflow tariff.

35. Apart from Staff's recommendations as to capital structure and as to the Curtailment tariff and Cross-Connection/Backflow tariff, Wickenburg Ranch did not object to Staff's recommendations. (Tr. at 83-85.) Wickenburg Ranch's objection to the Curtailment tariff and Cross-Connection/Backflow tariff filing requirements is that Wickenburg Ranch believes that it has already complied with those filing requirements. (Tr. at 83.) Wickenburg Ranch submitted its Curtailment tariff as part of its Response to Letter of Insufficiency filed January 18, 2008. (Ex. A-7 at ex. 2

ex.4.) Staff acknowledged at hearing that the Curtailment tariff had been filed and would be reviewed and approved. (Tr. at 89.) We also take notice that Wickenburg Ranch filed its Cross-Connection/Backflow tariff in September 2008 and that the tariff went into effect on October 5, 2008.[10]

36. In his rebuttal testimony, Mr. Brownlee objected to Staff's recommendation for a capital structure of at least 70 percent equity and no more than 30 percent AIAC/CIAC. Mr. Brownlee stated that it is inappropriate for the Commission to require a set capital structure that would not allow Wickenburg Ranch to take advantage of opportunities for low-cost water system improvements, such as an offer from a developer to give Wickenburg Ranch land and infrastructure that would result in a capital structure of 60 percent equity and 40 percent AIAC or CIAC. Wickenburg Ranch states that such an opportunity would allow it to gain significant assets at no cost to itself or its customers through rate base. Wickenburg Ranch believes that it should be able to take advantage of this type of situation, rather than being forced to spend its own money and recover its investment through its rates, thereby costing customers in the end. Wickenburg Ranch believes that Staff's proposed recommendation for capital structure should be a suggestion rather than a requirement. Mr. Brownlee testified at hearing that the funds are available to achieve Staff's recommended capital structure and that Wickenburg Ranch only objects to Staff's recommended capital structure to the extent that it may limit Wickenburg Ranch's ability to accept contributions of infrastructure and cause Wickenburg Ranch to incur more costs or more capital expenditures to provide water to its customers. (Tr. at 81-82.)

37. In his rebuttal testimony, Mr. Brownlee also stated that full build-out may take 10 to 20 years or longer, depending on market conditions. Mr. Brownlee added that while construction of the main water supply infrastructure may be substantially completed in three to five years, construction of the distribution system to serve individual parcels will take place as the individual lots are developed. Mr. McMurry testified that Staff has no information to verify how soon homebuilders can be expected to begin purchasing lots in Wickenburg Ranch Estates. (Tr. at 96.)

[10] The tariff was originally filed in Docket No. W-03994A-08-0466 on September 5, 2008. A revised tariff was filed on September 16, 2008.

38. Wickenburg Ranch witness John Matta testified that Wickenburg Ranch would be able to file the ATC for the first subdivision of Wickenburg Ranch Estates within two years of an order approving the application. (Tr. at 47.) Mr. Matta further testified that an ATC for the pipeline has already been obtained; that an ATC for wells is currently in process; and that an ATC for the water campus site, which will include the reservoir, booster pump station, and another well, would be applied for within a few weeks after the hearing. (Tr. at 49.)

39. Mr. McMurry testified that he has no reason to doubt that Wickenburg Ranch would be a fit and proper entity to provide service within its CC&N service area. (Tr. at 96.)

40. Staff believes that it would be in the public interest for the Commission to grant Wickenburg Ranch's application, with Staff's recommended capital structure and rate design. (*See* Tr. at 96.)

41. We agree with Staff that Staff's recommended capital structure is more appropriate than is the 100-percent AIAC/CIAC capital structure proposed by Wickenburg Ranch. Although Wickenburg Ranch has provided testimony that Mr. VanTuyl has sufficient funds available and will provide equity to the operation when needed, we believe that it is in the public interest to establish with certainty that Wickenburg Ranch will be provided such equity and to what extent. This should ensure that when Wickenburg Ranch is operational and has customers, it will have funds readily available to make any needed repairs to the system without obtaining a loan or seeking additional funding from a third-party developer. In addition, it should help to ensure that Wickenburg Ranch's customers are required to pay just and reasonable rates and charges from the beginning, as opposed to rates and charges that are substantially lower than is necessary to sustain the water system and that could require substantial increase in the future when facilities need to be repaired or replaced.

42. We also adopt Staff's recommended FVRB, Staff's adjustments to Wickenburg Ranch's proposed revenues and operating expenses, and Staff's recommended rates and charges.

43. Because an allowance for property tax expense is included in Wickenburg Ranch's rates and will be collected from its customers, the Commission seeks assurances from Wickenburg Ranch that any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies have been unwilling or

unable to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as 20 years. It is reasonable, therefore, that as a preventive measure Wickenburg Ranch shall annually file, as part of its annual report, an affidavit with the Utilities Division attesting that Wickenburg Ranch is current in paying its property taxes in Arizona.

44. The Commission has become increasingly concerned about the prolonged drought in Central Arizona. Therefore, we believe that Wickenburg Ranch should be required to conserve groundwater and that Wickenburg Ranch should be prohibited from selling groundwater for the purpose of irrigating any golf courses within the certificated area or any ornamental lakes or water features located in the common areas of the proposed new developments within the certificated area. We also believe that Wickenburg Ranch should be required to work with the wastewater provider for its certificated area, once that wastewater provider is approved, to ensure that effluent is used to irrigate any golf courses within the certificated area or any ornamental lakes or water features located in the common areas of the proposed new developments within the certificated area, once effluent is being produced.

45. Staff's recommendations set forth in Findings of Fact No. 34(a) through (g) are reasonable and should be adopted. We do not adopt Staff's recommendation set forth in Findings of Fact No. 34(h) because we find that Wickenburg Ranch has already satisfied the requirements in that recommendation.

CONCLUSIONS OF LAW

1. Wickenburg Ranch is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, and 40-256.

2. The Commission has jurisdiction over Wickenburg Ranch and the subject matter of the application.

3. Notice of the application was given in accordance with the law.

4. The rates and charges authorized herein are just and reasonable.

5. Staff's recommendations set forth in Findings of Fact No. 34(a) through (g) are reasonable and should be adopted.

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ORDER

IT IS THEREFORE ORDERED that Wickenburg Ranch Water, LLC, is hereby directed to file with Docket Control, as a compliance item in this docket, on or before February 1, 2009, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

5/8" x ¾" Meter	$ 17.25
¾" Meter	17.25
1" Meter	28.75
1½" Meter	57.50
2" Meter	92.00
3" Meter	184.00
4" Meter	287.50
6" Meter	575.00

Commodity Rates (Per 1,000 Gallons)

5/8" x ¾" & ¾" Meter	
1 to 3,000 Gallons	$3.30
3,001 to 10,000 Gallons	5.00
Over 10,000 Gallons	6.00
1" Meter	
1 to 20,000 Gallons	$5.00
Over 20,000 Gallons	6.00
1 ½" Meter	
1 to 45,000 Gallons	$5.00
Over 45,000 Gallons	6.00
2" Meter	
1 to 75,000 Gallons	$5.00
Over 75,000 Gallons	6.00
3" Meter	
1 to 150,000 Gallons	$5.00
Over 150,000 Gallons	6.00
4" Meter	
1 to 250,000 Gallons	$5.00
Over 250,000 Gallons	6.00
6" Meter	
1 to 500,000 Gallons	$5.00
Over 500,000 Gallons	6.00

SERVICE LINE AND METER INSTALLATION CHARGES:
(Refundable pursuant to A.A.C. R14-2-405)

	Service Line Charge	Meter Installation	Total
5/8" x ¾" Meter	$ 365.00	$ 115.00	$ 480.00
¾" Meter	375.00	185.00	560.00
1" Meter	425.00	225.00	650.00
1 ½" Meter	460.00	435.00	895.00
2" Turbine Meter	615.00	940.00	1,555.00
2" Compound Meter	615.00	1,665.00	2,280.00
3" Turbine Meter	790.00	1,445.00	2,235.00
3" Compound Meter	830.00	2,240.00	3,070.00
4" Turbine Meter	1,130.00	2,310.00	3,440.00
4" Compound Meter	1,195.00	3,200.00	4,395.00
6" Turbine Meter	1,695.00	4,500.00	6,195.00
6" Compound Meter	1,740.00	6,230.00	7,970.00

SERVICE CHARGES:

Establishment	$25.00
Establishment (After Hours)	35.00
Reconnection (Delinquent)	40.00
NSF Check	25.00
Meter Re-Read (If Correct)	25.00
Meter Test (If Correct)	25.00
Deferred Payment (Per Month)	1.50%
Deposit	*
Deposit Interest	*
Reestablishment (Within 12 Months)	**
Monthly Service Charge for Fire Sprinkler (All Sizes)	***

* Per Commission rule (R-14-2-403(B)).
** Months off system times the monthly minimum (R14-2-403(D)).
*** 1.0 percent of monthly minimum for a comparably sized meter connection, but no less than $5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service provided on and after February 1, 2009.

IT IS FURTHER ORDERED that, in addition to collecting its regular rates and charges, Wickenburg Ranch Water, LLC, shall collect from its customers a proportionate share of any privilege, sales, or use tax per A.A.C. R14-2-409(D)(5).

IT IS FURTHER ORDERED that Wickenburg Ranch Water, LLC, shall establish and

maintain a capital structure that includes no more than 30 percent combined advances in aid of construction and contributions in aid of construction, with the remainder as equity.

IT IS FURTHER ORDERED that Wickenburg Ranch Water, LLC, shall, within two years after the effective date of this Decision, file with the Commission's Docket Control, as a compliance item in this docket, a copy of the Approval to Construct for the first subdivision of the Wickenburg Ranch Estates development.

IT IS FURTHER ORDERED that Wickenburg Ranch Water, LLC, shall use the depreciation rates by individual National Association of Regulatory Utility Commissioners plant account set forth in Table A of the Commission's Utilities Division Staff's Engineering Report.

IT IS FURTHER ORDERED that Wickenburg Ranch Water, LLC, shall, within three months after the five-year anniversary of the date that it begins providing water utility service to its first customer, file with the Commission a rate case application.

IT IS FURTHER ORDERED that Wickenburg Ranch Water, LLC, shall, within 15 days after it begins providing water utility service to its first customer, file with the Commission's Docket Control, as a compliance item in this docket, a notice that it has begun providing service to its first customer.

IT IS FURTHER ORDERED that, in light of the ongoing drought conditions in Central Arizona and the need to conserve groundwater, Wickenburg Ranch Water, LLC, is prohibited from selling groundwater for the purpose of irrigating any golf courses within its certificated area or any ornamental lakes or water features located in the common areas of the proposed new developments within its certificated area.

IT IS FURTHER ORDERED that Wickenburg Ranch Water, LLC, shall implement, within 90 days of the effective date of this Decision, at least 10 Best Management Practices (as outlined in ADWR's Modified Non-Per Capita Conservation Program) and submit those Best Management Practices to Docket Control within 90 days of the effective date of this Order. Only one of these BMPs shall come from the "Public awareness/PR or Education and Training categories of the BMPs.

IT IS FURTHER ORDERED that the Company shall file appropriate tariffs for Commission consideration that would condition the provision of water service to any customer on the

implementation of full xeriscape landscaping in front yards, as well as the installation of rainwater catchment systems, by July 31, 2009. These tariffs shall contain, at a minimum, the requirements for implementing such a condition of service, details of the estimated costs to the Company associated with implementation of the condition of service, proposed customer fees and charges, and any other information that Wickenburg Ranch Water, LLC believes would assist the Commission in evaluating these tariffs. These tariffs shall also demonstrate compliance with all applicable requirements of ADEQ and any applicable local codes.

IT IS FURTHER ORDERED that Wickenburg Ranch Water, LLC, shall work with the wastewater provider for its certificated area, once that wastewater provider is approved, to ensure that effluent is used to irrigate any golf courses within its certificated area or any ornamental lakes or water features located in the common areas of the proposed new developments within its certificated area, once effluent is being produced.

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IT IS FURTHER ORDERED that Wickenburg Ranch Water, LLC, shall annually file, as part of its annual report, an affidavit with the Commission's Utilities Division attesting that it is current on paying its property taxes in Arizona.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, MICHAEL P. KEARNS, Interim Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 6TH day of February, 2009.

MICHAEL P. KEARNS
INTERIM EXECUTIVE DIRECTOR

DISSENT

DISSENT

SERVICE LIST FOR: WICKENBURG RANCH WATER, LLC (FORMERLY CDC WICKENBURG WATER, LLC)

DOCKET NO.: W-03994A-07-0657

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